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NEWS SUMMARY

GENERAL

Troop base blasted by IRA

soldieds and three policemen were injured when the IRA launched a mortar bomb attack on a security force base in South Armagh yesterday.

soldiers were hurt when 5 lb mortar bombs, fired on the roofs of houses and the military compound, sleeping quarters and rooms. Four soldiers were flown 40 miles by belicopter to hospital in Belfast.

policemen were injured by a booby-trap bomb explosion as they were examining a parked lorry from which the bombs were launched. The lorry was stolen earlier in the day over the border in the Irish Republic.

Provisional IRA last night claimed responsibility for the attack and police on both sides of the borde rwere searching for attackers.

Mideast campaign

President Sadat of Egypt is waging a diplomatic offensive to seek international support against Israeli "intransigence." He is sending special representatives to the U.S., Europe, Africa and other Middle East countries.

Menahem Begin, the Israeli Premier, said yesterday that his party would not join further talks in Cairo unless Egypt halts its spate of anti-Israeli attacks on Israel. Back Page 6. Editorial comment, Page 22

Ethiopian battle

Somali forces have penetrated the mountain city of Harar in Ethiopia and are fighting Ethiopian troops in the streets, according to Radio Mogadishu. Ethiopian jets have been attacking the Somalis, it said. This is the first report of fighting at the strategic city for two months.

The Ethiopian ambassador in Bonn was accused West Germany of helping to finance the invasion of Ethiopia.

Party chiefs meet

Premier-designate, Sig. Andreotti, last night met Communist Party leaders at the end of his round of talks to seek support for a new Government. His immediate task was to see whether the Communists would drop their demand for direct participation in a new administration. Page 3

... charged

...ald Thompson Hall appeared at Haddington Sheriff's Court near Edinburgh, yesterday charged with theft of silver from the London home of the ... and former MP, Mr. Walter Elliot. No plea or declaration was made and Hall was remanded in custody for a week.

Another man, Michael Kitto, appeared on a similar charge at ...gton Sheriff's Court last day.

£...5m. for roads

...ment yesterday announced ... for a new road, costing ... £90m. and £100m., ... Oxford and Warwick, linking together two sections of the M40. Three by-passes on ...20 between Swindon and Milton Keynes will be built ... another scheme costing ... Page 8

Briefly . . .

Soviet Union and Britain ... resumed negotiations ... Geneva on a proposed treaty ... all nuclear tests.

...-year-old-boy, William Rory ... was ordered by an Old Bailey judge to be detained for 15 years "at the shortest" ... part in the murder of a ... in a derelict house.

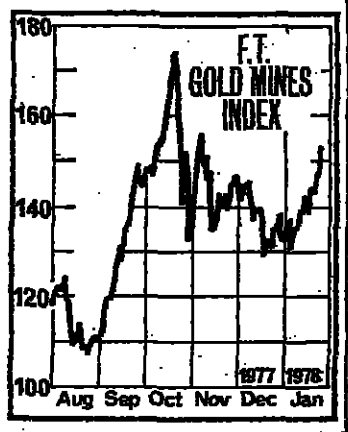
Staff Sgt. James Rogers ... been awarded the Queen's Commendation for bravery for ... g a fire officer from a ... warehouse in London ... the firemen's strike.

...est between Pakistan and ... in Karachi ended in a ... Page 14

BUSINESS

Boost for Golds: Wall St. falls 6

● EQUITIES interest centred on South African gold shares, where rises in investment currency premium and bullion price pushed the Gold Mines Index up 5.4 to 153.2. The FT Ordinary Index fell 1.0 to 486.6.



● GILTS recorded falls of ¼ and the Government Securities Index fell 0.23 to 77.00.

● STERLING gained 95 points to $1.9420, its trade-weighted index was 66.2 (66.1). The dollars depreciation widened to 4.68 per cent. (4.51).

● GOLD rose $2½ to $175¾.

● TREASURY bill rates in the money market were pointing to a possible cut of ½ per cent. to 6½ per cent. in MLR on Friday.

● WALL STREET closed 6.24 down at 770.70.

● *PLATINUM* prices rose on the London "free" market, with the dollar price $7.75 up at $209 an ounce and the sterling equivalent up £3.45 to £107.60, its highest level for four years. Page 37

● INTERNATIONAL gold dealings will be freed from official control shortly with the adoption of changes in IMF rules. Restrictive agreements between central banks will end on January 31. Back Page

● EEC COMMISSION has announced the first of the anti-dumping duties on steel coming into the Community below EEC minimum import prices. Back Page

● GATT major participants, the U.S., the EEC and Japan, have agreed to conclude the bulk of the Tokyo round of trade talks within the next six months. Back Page

● VAT brought the Treasury in £3.769bn. during the last financial year, and cost about £80m. to collect.

LABOUR

● LORRY DRIVERS in South Wales, who are seeking pay rises of 15 per cent., may strike, following the breakdown of local pay talks with the Road Haulage Association. Back Page

● MIRROR Group lost the entire publication of its weekly magazine Reveille, the first production involving new technology, because of a demarcation dispute. Page 11

● BRITISH LEYLAND shop stewards at Speke met national union officials yesterday to try to resolve the 12-week unofficial strike by 2,000 car workers. Page 11 London Transport will share its next bus order between BL and Metro-Cammell Weyman. Page 9

COMPANIES

● RANK ORGANISATION pre-tax profits rose from £75.589m. to £124.46m. for the year to October 31. Page 24

● WESTLAND AIRCRAFT profits for the year ended September 30 dropped from £9.34m. to £5.84m. Page 24

● NORTHERN ENGINEERING Industries has made an agreed bid for Baldwin and Francis, a mining switchgear company. Back Page

...F PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

...ers Discount	293	+ 8
...Trading B	410	+ 65
...A	130	+ 4
...	142	+ 6
...ns & Crosfield	400	+ 25
...Charles)	84	+ 12
...e	382	+ 9
...aint	70	+ 8
...Pavilion	550	+ 35
...gency & Music	79	+ 6
...Printing	51	+ 5
...nd Clarke	540	+ 23
...of Wales Htls.	100	+ 10
...(H. and J.)	42½	+ 4
...rg.	265	+ 5
...	108	+ 7
...	130	+ 6
...Leeds	60	+ 10
...	94	+ 3
Wheeler's Restaurants	380	+ 20
Yarrow	295	+ 10
Anglo American Crp.	272	+ 10
Cons. Murchison	300	+ 20
Deelkraal	97	+ 12½
East Daggafontein	23½	+ 4½
Jo'burg Cons.	£12¾	+ 1¾
Kloof	480	+ 21
Lydenburg	65	+ 6
Southern Kinta	155	+ 10
Vaal Reefs	£12	+ ½
West Rand Cons.	173	+ 16

FALLS

Treasury 9½pc '99	£89¼	− ¼
Asscd. Fisheries	67	− 4
Assod. Sprayers	28	− 3
Fluidrive	67	− 5
Pauls and Whites	123	− 8
Plastons	125	− 5
Tate and Lyle	206	− 6
Oil Exploration	232	− 8
Castlefield (Klang)	187	− 8

Government loses by 11 votes in 'green pound' row

BY RICHARD EVANS, LOBBY EDITOR

The Government suffered a significant reverse in the Commons last night when MPs rejected proposals for a 5 per cent. devaluation in the "green pound," the artificial currency used for calculating European Community Farm prices.

The Government defeat by 291 votes to 280 came when all the minority parties joined with the Conservatives in a rare display of united oposition.

Instead, the Commons voted by 291 to 281 for a Conservative resluotion that the "green pound" should be devalued by 7½ per cent. and Ministers *immediately accepted the decision*.

After the two votes, Mr. John Peyton, Shadow Minister of Agriculture, asked whether the Government would now take the advice recommended by the House without delay.

Mr. John Silkin, Minister of Agriculture, retorted that against the advice of the Government the Commons had voted for higher food prices.

"The Government accepts the decision of the House but the people will remember where the blam lies when prices go up in the shops," he said.

There is no prospect of a vote of confidence in the Government or of an early election, following the division, but the result is a moral blow to the Government and a demonstration of its vulnerability on issues other than a motion of confidence.

The Liberals are still committed, after their week-end assembly at Blackpool, to maintaining their pact with Labour, until the Finance Bill is on the Statute Book in the summer, but this does not prevent them from asserting their independence on individual items of policy.

The Liberals, who have demanded a 10 per cent. devaluation, joined the Nationalists and most United Ulster Unionists in *backing the Conservative resolution*.

What seems certain is that Ministers will now seek to place the blame for any increase in food prices onto the Tories for pressing the higher devaluation.

It was Mr. Callaghan's personal insistence on sticking at a 5 per cent. devaluation that ended hopes of a compromise with the Liberals.

He argued that any increase above that would mean that some farmers would receive additional income above the 10 per cent. pay guidelines.

Earlier, Mr. Silkin, stuck firmly to the Government's policy of devaluing the "green pound" by 5 per cent.

The higher devaluation advocated by the Opposition parties would, he argued, result in large increases in the price of food and have a "*brutal effect*" on the consumer.

The only glimmer of a concession by the Minister was a promise to the Liberals, to introduce only the livestock-sector devaluation immediately.

The others would be phased in at the start of their normal marketing year.

"This gives use the necessary time to keep the whole position under review until the late summer—*well within the 12 months*' period suggested by the Liberal Party." Mr. Silkin declared.

But as he refused to give a specific pledge on a further devaluation later in the year on the "green pound" the Liberals remained intent on voting for the Conservative resolution.

Mr. Silkin appeared in no mood for compromise when he stated the Government's case.

The modest 5 per cent., devaluation proposed would, he said, help the hard-pressed livestock sector while putting up overall food prices by only 1p in the pound.

A larger devaluation would be *of doubtful benefit to large parts* of the agricultural industry'

"I am not prepared to agree to so large an increase in the price of food that while its production is encouraged, its *consumption is positively discouraged*."

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Parliament Page 11

Carter presents $500bn. Budget

By Jurek Martin, U.S. Editor

WASHINGTON, Jan. 23.

PRESIDENT CARTER to-day presented his "lean and tight" Budget for fiscal year 1979, beginning in October. It proposes Federal spending of $500.2bn., an increase in real terms of less than 2 per cent. compared with the present year.

The projected deficit for the year is $60.6bn., fractionally less than the estimated $61.8bn. for the current year.

The deficit would have been $10bn.-$15bn. smaller, *but for the* effect of the tax reduction programme unveiled over the week-end.

The Budget presages few major policy changes, but spending on defence is to increase by 3 per cent. in real terms next year, despite President Carter's election pledge to cut it substantially.

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The Administration contends, however, that even with this increase it will be spending between $5bn.-$8bn. less than President Ford would have spent.

Most of the defence increase is earmarked for the North Atlantic Treaty Organisation alliance, and it includes a wide range of measures designed to improve the readiness of U.S. forces in Europe.

Dr. Harold Brown, Defence Secretary, said that this emphasis *on NATO is a response to* the steady "increase in the size of Warsaw Pact forces."

Last year's cancellation of the B-1 bomber and a reduction in naval shipbuilding account for *much of the "savings."*

The Budget provides for accelerated development of both the air- and ground-launched versions of the Cruise missile, advances the first production of *the XM-1 battle tank by a year*, and keeps alive the Marine Corps project to redesign the British Harrier jump-jet.

No decision on the full-scale development of the Harrier has *yet been announced*.

The underlying premise of the Budget, Mr. Carter said in his message to Congress, was "the fact that resources are limited and that Government must discipline its choices and its scope."

A major practical consideration in preparing the Budget for the next fiscal year was that the proportion of Gross National Product consumed by Federal spending should decrease from the present 22.6 per cent. to 22 per cent.

In future, it is intended that the share be cut further to 21 per cent.

The economic assumptions

Continued on Back Page

Top nuclear industrialist is kidnap victim

BY DAVID CURRY

PARIS, Jan. 23.

BARON Jean-Edouard Empain, 40, the rich industrialist who heads the French nuclear engineering industry and is one of the most powerful businessmen in France was kidnapped to-day by three men as he left *his Paris home. There was no* indication to-night of the motive for the kidnapping.

The Baron, who is Belgian, is the head of a financial and industrial empire which is the third most important financial group in France after Suez and Paribas. It is also a powerful industrial combine based on steel, heavy and electrical engineering, and nuclear contracting.

The Baron was seized as he was being driven by his chauffeur from his Avenue Foch flat this morning. The chauffeur was dumped not far away. Nothing has since been heard of the *kidnappers or their victim*.

It was said that since the Baron had received no threats, there were no special arrangements to protect him.

It is the biggest kidnapping in *France since the seizure ten* months ago of the head of Fiat France, M. Lucchino Revelli-Beaumont, a captive for three months before he was released on payment of a Frs.10m. ransom by his family.

As chairman of the Schneider Holding Company, in which the Empain interests have a minority but dominant stake, the Baron controls a group with sales of about Frs.22bn. (£2.5bn.) a year, employing 245,000.

Its most important industrial holdings are in Creusot-Loire, the steel and engineering company, and through it in Framatone, the nuclear contractor, in which Westinghouse of the U.S. holds a stake.


Baron Empain: taken from car

Control

France's ambitious nuclear programme is being built round Framatone and its twin company, Novatome, which is developing in the fast-breeder field

The fortunes of the Empain family were built up two generations ago in tramways, railways, and civil engineering. These interests were grouped under the umbrella of Electrorail, *which still crowns the family's* Belgian interests.

The biggest part of the Empain assets is in France. Rapid growth here dates from the acquisition of a minority stake in Schneider in 1963.

The Schneider family was linked to some of the most blue-blooded names in France, including the family of Mme. Giscard d'Estaing.

Baron Empain made his way into the chairmanship of Schneider in 1972 and embarked on a fierce battle to increase its control of the Creusot-Loire group.

Though he had to renounce this effort, he succeeded in having his industrial leadership *of the French nuclear business* confirmed.

Since then the State has nominated the group as its chosen instrument both for the present generation of pressurised *water reactors and for future* fast-breeder reactors.

Two years ago Baron Empain became a member of the executive committee of the French employers' organisation, the Patronat, the first foreigner to do so.

Other group interests include the civil engineering and public works company Spie-Batignolles; the electrical engineering concern Jeumont-Schneider; the shipbuilding enterprise Chantiers de France Dunkerque; and Banque de l'Union Europeenne, linchpin of the Empain financial interests in France.

The Empain empire is built up principally of strategic minority stakes in enterprises, sufficient to bring industrial control.

The Baron's aggressive challenge to such traditional family-controlled sectors as the Lorraine steel industry have left him well respected, rather than necessarily well loved.

His group's success owes much to the favour of the Pompidou and Giscard regimes in the interests of industrial efficiency, in contrast to the suspicion with which he was regarded by earlier Gaullist Ministers.

£ in New York

—	January 23	Previous
Spot	$1.9430-9440	$1.9330-9350
1 month	0.02-0.13 prem.	0.14-0.17 prem.
3 months	0.37-0.42 prem.	0.33-0.38 prem.
12 months	0.80-1.00 prem.	0.72-0.85 prem.

Japan doubles trade surplus to $17.6bn.

BY CHARLES SMITH, FAR EAST EDITOR

TOKYO, Jan. 23.

JAPAN REGISTERED a visible trade surplus of $17.6bn. (£9.6bn.) in 1977, the Finance Ministry announced to-day.

The figure, nearly double the previous record of $9.9bn. recorded in 1976, resulted from a continued rapid growth of exports (by 20.1 per cent. to $79.3bn.) and a much more *moderate import growth (9.9 per* cent. to $61.7bn.).

Translated into yen—which the Finance Ministry now seems to regard as a more realistic currency to use than the depreciating dollar—exports rose 8.4 per cent. to Y21,000bn. while imports actually fell marginally, by 0.5 per cent. to Y16,500bn.

The massive visible trade surplus provided the foundation for an equally huge current surplus, $11.1bn., and a balance of payments surplus of $7.8bn. The payments surplus would have been substantially larger without an increase in long-term capital exports ($3.2bn. last year compared with only $984m. in 1976).

The other important negative item in Japan's international accounts, invisible transactions and transfers, recorded a deficit of 6.5bn., little changed from the previous year.

Japan's trade and current account surpluses are far beyond official expectations at the start of 1977, and even at mid-year when the Government was talking about a current account surplus of $6.5bn. (admittedly not for the calendar year but for fiscal 1977 which runs from April 1977 to March 1978).

Apart from a large element of wishful thinking, the miscalculation stems from the failure of Japan's domestic economy to pick up as fast as the Government had hoped or expected. This meant that import demand remained slack while business had to continue exporting vigorously to remain viable.

Figures for December alone, also published to-day, show exports up 18 per cent. to $8.45bn., and imports rising 5 per cent. (over year ago levels) to $5.77bn. The resulting trade surplus of $2.68bn. was the biggest for a single month in Japan's history.

If the figures are turned into yen both exports and imports turn out to have fallen in December but by only 4 per cent. in the case of exports and by no less than 14 per cent. for imports.

The Ministry of Finance found some encouragement this afternoon in seasonally-adjusted figures which show imports in December falling a little more slowly than exports from the previous month (1.2 per cent. against 4.4 per cent.).

Union plea on Polish order

BY CHRISTIAN TYLER, LABOUR EDITOR

SHIPBUILDING UNIONS are combining to challenge the decision by British Shipbuilders to reallocate Polish ship orders, which would lead to redundancies at Swan Hunter on the Tyne.

Leaders of the Confederation of Shipbuilding and Engineering Unions will ask Mr. Michael Casey, chief executive of British Shipbuilders to-morrow, to reverse the decision *only* hours before he flies to Poland to sign the controversial £115m. contract.

Mr. Casey said yesterday that reallocation of the four Polish ships, worth £30m., away from *Swan Hunter was a final one.*

He acknowledged that the unions' attitude could prejudice completion of the deal, but said he was confident it would go ahead.

Shop stewards at Govan on the Clyde, where three of the ships are now destined, said yesterday that the Tyne should still build them, and in Newcastle.

Mr. John Chalmers, chairman of the confederation's Shipbuilding Committee, said an emergency meeting had been called for to-day to prepare the ground for to-morrow's encounter.

"We must now take up our resolution that we are not prepared to submit to enforced redundancies in the industry," he said.

The latest twist to the Polish ships saga is due to a claim by boilermakers at Swan Hunter, members of Mr. Chalmers' union, to restore a pay differential eroded by outfitting trades, which themselves only recently called off an overtime ban in pursuit of pay parity with the boilermakers.

The boilermakers' claim would be a breach of the Government's incomes policy, Mr. Casey said. An inquiry into Swan Hunter's pay troubles is to be set up under an independent chairman.

As to the chances of a reprieve for Swan Hunter, he said: "I have made it clear right from the beginning that British Shipbuilders is not prepared to take an order that cannot be met within a specified period."

Swan Hunter was to have built seven of the Polish ships until the outfitters' refusal to sign guarantees caused three to be diverted.

Now the boilermakers, who originally signed, have threatened to give up their "flexible working" agreement. Their refusal to remove the threat on Friday prompted the decision to re-allocate the remainder.

CONTENTS OF TO-DAY'S ISSUE

FEATURES

For latest Share Index 'phone 01-246 8026

David Curry in Paris looks at the Gaullists and their messianic new leader, Jacques Chirac

Bulldozing his way to the top and transforming the party

JACQUES RENE CHIRAC, 46 years of age, protege of President Georges Pompidou, Prime Minister of France from 1974 to 1976; deputy for the Correze, mayor of Paris, is the war leader of the Gaullists.

Receding hair streamlined back against the skull, eyes imperative behind broad spectacles, lean of appearance in his habitual light-coloured three piece suit, restless with nerves and furious energy, Jacques Chirac has taken the Gaullists by the scruff of the neck and thrown them into the battle of the general election.

He has left in the shadow the ageing band of former Gaullist Prime Ministers: Maurice Couve de Murville, Pierre Mesmer, Jacques Chaban-Delmas. Only Michel Debrê, the passionate defender of the Gaullist faith, the oldest of the old retainers, retains his standing.

His lieutenants are barely known outside his shadow. Save, perhaps for the two chief apparatchiks who formed the inner counsel of Georges Pompidou: the impeccably groomed Marie-France Garaud, variously dubbed "the most powerful woman in France," "the Richelieu in skirts" or, simply "the Valkyrie," credited with having forced Pompidou to fire Chaban-Delmas after the revelation of the latter's tax avoidance; and her sheep-farming partner, Pierre Juillet, the two who prime Chirac's pump.

President Pompidou nick-named Jacques Chirac "my bulldozer." He has lost nothing in horsepower since.

When President Pompidou died Chirac, together with the old Pompidou inner Cabinet, refused to support the official Gaullist candidate Chaban-Delmas and backed Valery Giscard d'Estaing.

He became Giscard's first prime minister and within months had captured the disarrayed Gaullist party organisation. His two years as Prime Minister ended in a spectacular quarrel with the President over general election strategy.

Within three months he was standing before a Gaullist multitude at the Porte de Versailles consecrating the party as the new Rassemblement pour la Republique and himself as its champion.

Nomination

Three months later he was mayor of Paris, having accepted President Giscard d'Estaing's nomination of his own man for the job as a deliberate attempt to storm a Gaullist bailiwick.

For the next few months he waged guerilla war against the government of M. Raymond Barre, notably over direct elections to the European Parliament, as he sought to establish the identity of the Gaullists separate from the Government they kept in power.

The two men make natural opposites. Raymond Barre, economics professor, former EEC Commissioner, a self-confessed "square man in a round body," rotund, deliberate in manner, relaxed, pungent in his plain-speaking ("I've got nothing in my pockets and if I had I would reserve it for a more deserving cause than yours," he told a crowd of protesting railway workers in Bordeaux), infinitely loyal in his attitude to the President and the Presidency. Jacques Chirac, restless, tense, taut, ambitious, a man who will travel 80,000 km. in the election campaign as he carries the fiery cross of Gaullism into every department of France.

Who are the Gaullists? In statistical terms they are around a quarter of the electorate. In the 1960s they polled 35-40 per cent. of the vote. In the high-water mark of the 1968 election after the "revolutionary spring" of that year they reached 44 per cent. Throughout the period of General de Gaulle their power lay partly in their ability to attract votes from the left for policies of national independence, law and order, and social advance.

The Gaullist constituency is shrinking without the unique national appeal of the General. Valery Giscard d'Estaing deprived them of the Presidency; Raymond Barre is the first man from outside the Gaullist high command to live in the Matignon.

The feeling of being remorselessly edged out of power has engendered immense insecurity in the party. This is part of Chirac's attraction: he clearly wants to put together a Gaullist policy to take it beyond the Gaullist attitudes which had previously been sufficient.

But these attitudes remain a vital part of the Gaullist life-blood. The word "Gaullist" has passed into general use as indicating a general determination to defend the nation state against the encroachments of supranational bodies like the EEC Parliament or Commission. The fundamental hallmark of a Gaullist is his belief that only his party is capable of preserving the Frenchness of France.

The pre-eminence given to national sovereignty translates into a number of concrete traditional policies. The maintenance of a conscript army, the development of the nuclear deterrent, the suspicion of multinational (especially American) companies and efforts to make French industry technologically competitive, all flow from the idea of national sovereignity which must be not merely talked about but defended.

Jacques Chirac: a man with a mission.

So does the established policy of promotion of large families (against the trend) through extensive fiscal and employment benefits for families and parents of large families.

It would be easy to deduce that the Gaullists represent essentially a set of right-wing attitudes. To some extent this is true. They swallowed with bad grace the early "moral" reforms of Giscard—legalised abortion, easier divorce, more accessible contraception—and their opposition has prevented the implementation of the capital gains tax voted under the Chirac Government.

Reforms

But under the governments, in particular, of Chaban-Delmas, a man with a mind of his own and a populist tinge to his thought, the Gaullists took France into a series of social reforms touching, in particular, social security, family benefits, and even a very preliminary excursion into worker participation, which bore the mark, if not of genuine liberalism, at least of an up-to-date paternalism.

After all, the Gaullists had deliberately created the presidential instead of the parliamentary state, restoring the Bonapartist tradition, and the whole structure of power is intended to encourage the flow of benefits from the rulers to the people.

If French industry complains of facing some of the heaviest social charges in the world, it is the Gaullists who imposed many of them; if it complains of semi-permanent price controls, there again, the Gaullists enthusiastically exploited them.

The arrival of a "reformist" president clearly intent on creating a reformist current within the governing coalition has inevitably pushed the Gaullists towards the right without establishing very convincingly the President's supporters as a liberal centre.

The current Gaullist discontent stems from the general feeling that the essential tenets of the Gaullist state are being undermined and that, to undermine it further, M. Giscard d'Estaing is seeking to isolate the Gaullists outside the mainstream of French life (along with Communists).

The particular fear is not so much of a "reformist" group as such—after all, even now the Gaullist delegation of some 170 in the National Assembly eclipses that of the other non-Socialist parties and the election is not likely to change that configuration substantially—but that the real intention is to bring the reformists and the moderate Socialists together in a new coalition.

It is this fear which explains the violent Gaullist reaction to the events of the past weeks. In the months before Christmas the Gaullists sat down with the Centrists and the Republicans—the two parties closest to the President—and worked out a list of 120 seats in which they would present single joint candidates.

The Radical-Socialist party, led by the unpredictable Jean-Jacques Servan-Schreiber, a long-time enemy of the Gaullists despite backing the ruling coalition, refused to have anything to do with the election pact. When the Union of the Left split in September, the Radicals were the first to make "come-hither" noises at the Socialists.

No sooner was the ink dry on the pact with the Gaullists than the other two parties concluded their own private pact with the Radicals to put up joint candidates in 363 seats to oppose Gaullists—a pact put together in the very office of the Prime Minister.

To the Gaullists that was a clear anti-Gaullist pact, and all the Presidential allusions in the world to union and honourable intentions did nothing to dissipate the suspicion that here was the first move in Giscard's attempt to build a new Majority out of the elections.

Challenge

M. Chirac's reputation rests on action. After protests and discussions made no impact the Gaullists denounced the pact and started to put up their own candidates universally. One of the few men to escape challenge may be the Prime Minister himself, to whom the Gaullists made a present of one of their safest seats in Lyon.

Significantly, the Gaullists stopped short of wrecking the pact totally, because they will observe the rule that in the second round of voting the winner of the first round "primary" will receive the support of all the coalition parties.

It would be easy to say that the interest of the Gaullists and M. Chirac might best be served by a general election defeat for the Government after which the idea of a new centre movement would be discredited and they could stand in the wings to rescue the country from the disorder which they would expect to follow the victory of the Left.

But there is little doubt but that the Gaullists are fighting to win: too much of what they believe in is at risk and they are too much the traditional party of power to welcome defeat.

But victory, if it comes, will also be difficult to manage.

The Gaullists will want to establish a distinctive identity to consolidate a permanent electoral base and to give their own candidate his launching pad for 1981.

No-one doubts that Jacques Rene Chirac wants to be President of the Republic.

French opinion polls show parties of Left in strong position

BY ROBERT MAUTHNER

PARIS, Jan. 2[3]

SUCCESSIVE public opinion polls over the past few days on the outcome of the general election next March indicate that the Government coalition parties continue to lag behind the parties of the Left and are running a serious risk of defeat unless they can patch up their fratricidal quarrels.

A Louis Harris poll published to-day by the newsmagazine L'Express confirms the findings of last week's poll that the parties of the Left will not only obtain a substantial majority of the votes in the first round of the election — 52 per cent. against the coalition's 45 per cent. — but will win 259 parliamentary seats compared with 232 for the present ruling parties.

The poll, based on a sample of 1,000 people, was taken during the period immediately following the outbreak of the latest row between the coalition parties, provoked by the accusation from the Gaullist leader, Jacques Chirac, that his partners were trying to form an anti-Gaullist front in the first round of the election.

The persistent poor showing in the polls of the coalition parties has not yet produced a real closing of ranks, but their leaders have started to tone down their mutual recriminations.

Though M. Chirac again warned the other coalition parties against forming a joint anti-Gaullist front in public statements over the week-end, he nevertheless instructed his party's parliamentary candidates not to fall into the trap of waging a polemical battle against candidates of the other coalition parties.

The most significant development over the week-end was the public reconciliation between M. Chirac and the former Gaullist Prime Minister, M. Jacques Chaban-Delmas. They had been at daggers drawn ever since the Presidential election of 1974, in which M. Chirac and his followers in the party supported the candidature of Giscard d'Estaing. This support made a vital contribution to M. Giscard's election, and the elimination of M. Chaban-Delmas as early as the first round.

The reconciliation between M. Chirac and M. Chaban-Delmas, symbolised by a warm handshake at a meeting of the party

M. Chaban-Delmas

central committee and parliamentary candidates yesterday, will doubtless help to strengthen the Gaullist's position in the country.

Though they are still by far the strongest party within the coalition in parliamentary terms, the latest poll gives the Gaullists no more than 22 per cent. of the total vote in the first round, compared with 23 per cent. for all the Centrist parties combined, 29 per cent. for the Socialists and their allies, the Left-wing Radicals, and 21 per cent. for the Communists.

Fearful small investors seek the safety of gold

BY DAVID CURRY

PARIS, Jan. 23

RENEWED FEARS about the outcome of the French election in the light of the quarrels within the Government coalition have sent the French investor scurrying twords his traditional refuge—gold.

Over the past few days the French Bourse has been swamped with buying of the State 1973 X-Pinay loan at 4½ per cent. This issue is indexed to the price of the gold Napoleon coin

As the value of the Napoleon has moved up, compensating for the lag in its value in relation to gold, so the 4½ per cent. loan has become increasingly attractive. In contrast, the State 1973 7 per cent. issue, indexed on the price of the gold ingot, has suffered a relative decline because of the scope of further price rises for the relatively under-priced and easily handled Napoleon.

Term transactions totall[ed] Frs.7.5m. on Monday, Frs.16.[.] on Tuesday, Frs.15.8m. on Wednesday and Frs21m. on Thursday, more than half of the total transactions on fixed interest bearing stocks. The value of the bond shot up to a record Frs.740.10, a gain of 6.[.] per cent. in the week. The Napoleon itself advanced more than 6 per cent. over the period to Frs.284.90.

The enthusiasm for the 4½ per cent. rente shows that however much official financial circles may be discounting the possibility of an effective Left-wing government arriving in power after the March general election the small investor is taking no chances with his fortune.

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EUROPEAN NEWS

West German gun wins in tests for U.S. battle tank

BY JONATHAN CARR

BONN, Jan. 23.

ST GERMANY officially nounced to-day that its gun emerged the winner against and British rivals in tests help decide the weapon to used in a new U.S. tank.

Bonn is now intensifying its orts to see that since its mm. smooth-bore weapon emerged on top in the U.S. ts, it will be installed in the -1 battle tank.

The U.S. Government has to t its choice before Congress the start of next month. The est Germans are re-emphasis- the political as well as litary importance they attach the matter, recognising there powerful forces in Congress set in advance on an American gun.

The subject was discussed directly by phone last Friday by Herr Georg Leber, the West German Defence Minister, and Mr. Harold Brown, the U.S. Defence Secretary.

A Pentagon delegation visited West Germany at the week-end to discuss, among other things, licensing arrangements for the gun, which is built by the Rheinmetall Company of Dusseldorf.

A decision by Washington to take the gun would help convince Bonn that the U.S. is really serious about a "two-way street" in arms purchases. West Germany has been doing almost all the buying, so far.

The Germans once hoped they might be able to provide the basis for a single model of battle tank for NATO in the 1980s with their Leopard-2. Although the Leopard was modified to try to suit American wishes, the U.S. decided, after comparative trials, on their XM-1.

Hopes were also high here last year that the U.S. would take 188 German "Gepard" anti-aircraft tanks, primarily for use by the U.S. Seventh Army in Europe. It is understood that the Americans now feel the Gepard to be too expensive.

Rolled steel orders rise 20%

BY GUY HAWTIN

FRANKFURT, Jan. 23.

DERS for West German lled steel finished products se by almost 20 per cent. last onth. But although this is elcome news for the Federal public's steel industry, order oks throughout the sector are ll at a very low level.

According to the latest figures blished by the Iron and Steel dustry Federation, new orders December amounted to just der 1.97m. tonnes—19.1 per nt. up on November's 1.65m. nnes.

The main growth came from stomers outside the European onomic Community, whose ders rose by 38.7 per cent. om November's 463,000 tonnes 642,000 tonnes.

There was also a welcome vival of home demand. West German bookings went up by 136,000 tonnes—or 13.5 per cent. —to just under 1.15m. tonnes.

However, the steel industry, while clearly not wishing to look gift horses in the mouth, pointed out that the overall increase in orders both at home and outside the EEC was in large part attributable to the normal seasonal increase in orders at the end of the year.

The figures, which do not include those for semi-finished products, hot-rolled broad strip or special steel, show only a tiny 0.6 per cent. rise in orders from customers within the EEC.

This is hardly surprising as the whole of the European steel industry is enmeshed in just about its worst post-war crisis.

A positive result of the increase in orders is that the industry's order book strengthened by 4.7 per cent. from 3.22m. tonnes to 3.37m. tonnes, despite an increase in deliveries. Overall deliveries went up by 4.2 per cent., from November's 1.74m. tonnes to just under 1.82m. tonnes.

December's increase in orders has significantly improved monthly average booking figures for 1977. These averaged 1.7m. tonnes a month—echoing the monthly average for 1976. Compared with 1974, the industry's last "good year," when the monthly average was 2.3m. tonnes, 1977's bookings look distinctly weak.

There is some comfort to be drawn from the fact that deliveries in December remained 150,000 tonnes below the inflow of orders, thus allowing the order book to strengthen. Indeed, the industry's order book of 3.4m. tonnes looks rather more healthy than at the end of 1976 when it amounted to 3.1m. tonnes.

Meanwhile, there is a clear hint of more trouble in store for the steel concerns with the news that the metal industry employers in North Wuerttemberg and North Baden have offered only a 3.5 per cent. pay increase for 1978.

The industry's trade union, the giant IG Metall, which represents some 560,000 workers, has demanded 8 per cent.

The outcome of these negotiations will set the standard for pay awards besides the metal sector.

While talks are still at an early stage and there is still much haggling to be done, the disparity between the claim and the offer gives an indication of how far apart employers and unions are in the field of pay policy.

Reuter adds from Bremen: West Germany's 18,000 dockers postponed a threatened strike to-day and reopened wage talks with port authorities, a union spokesman said.

Poullain successor named

BY OUR OWN CORRESPONDENT FRANKFURT, Jan. 23.

R. JOHANNES Voelling was -day named as chief executive the Westdeutsche Landesbank West LB). He succeeds Herr udwig Poullain, whose December 23 resignation from the bank as last week rejected by the ank's supervisory board and replaced with a summary dismissal n allegations of "flagrant violaon of duty."

The appointment comes as no urprise, as he was already the ank's deputy chief executive nd was widely tipped to succeed Herr Poullain.

Two deputy chief executives vere also appointed. They are Dr. Ludwig Trippen and Dr. Walter Seipp.

Dr. Voelling's appointment ndicates that the supervisory board remains committed to the eneral policy laid down by Herr Poullain. Indeed, they have been drawing attention to the fact hat their statement announcing Herr Poullain's dismissal stated pecifically that "the Poullain case does not entail any change in the West LB's business policy."

To-day, however, the new chief executive explained that the policy of building up the bank's overseas business would continue, although growth in foreign business would probably not be as strong as hitherto. Foreign business accounts for 21 per cent. of the West LB's business volume and during 1978 it would probably only increase to 23-25 per cent. of business volume.

Last week's dismissal of Herr Poullain, announced by the state Finance Minister of North Rhine-Westphalia rather than the supervisory board itself, was swiftly followed by the Minister's own resignation. Before the "Poullain affair" surfaced, the state government, the bank's most influential shareholders, had demanded a greater say in the bank's foreign business, following a £6.5m. purchase of a site in Moorgate for its new London headquarters.

THE SWISS ECONOMY

Only inflation keeps dropping

BY JOHN WICKS IN ZURICH

WITZERLAND seems a very pensive country to visitors. igh wages, together with a curency which has strengthened ainst the field by a tradeeighted 85 per cent. or so in six ears, produce prices which mbarrass even the more wellealed tourist. The Swiss are ways being asked how they anage.

The answer is "very well, ank you." The Swiss can afford pay their own prices—they are ways at or very close to the top the list in surveys of purchasg power in Europe. With a icklayer earning a minimum of ound £3.50 an hour, and a trainiver about £11,500 a year, few ople suffer want. Unemployent has been growing recently it not much over 10,000 people e currently jobless.

At the same time Switzerland s the lowest inflation rate of e Western world. Last year it s 1.3 per cent., the year before per cent. And inflation is still celerating; last month conmer prices were 1.1 per cent. gher than in December 1976, d the wholesale index was wer by 0.4 per cent.—at its west level in fact for nearly ur years.

Wages however are also rising only very slowly. The wage spiral has, indeed, come almost to a standstill. In 1974, with double-digit inflation, wages rose by 13.9 per cent. and salaries by 16.7 per cent., but the annual growth rate was no more than 2.5 per cent. and 1.7 per cent. respectively, by the third quarter of 1977.

This marks a modest speeding-up over previous months and new wage agreements now being introduced point to a certain further acceleration.

But while pay packets barely kept up even with the very slow increase of the cost of living in 1976, last year there was probably a marginal rise in real wages.

The very low inflation rate has driven interest rates right down. The official bank rate—which in Switzerland is admittedly less significant than in some other countries—has been 1½ per cent. since last July: three-month deposits at big banks yield only 1 per cent. and on the capital market triple-A borrowers are offering new bonds at 3¾ per cent. for 15-year maturities. There are signs that this latter capital market base could fall to 3.5 per cent. in the not too distant future. Big banks medium-term debentures have lowered their coupons twice since Christmas and three and four year rates are now down to 3 per cent. Low though these rates may seem, they offer a real return under present conditions. The generally low interest level brought with them a correspondingly low mortgage rate, which may well soon fall again: in November, 1977, rents fell in Switzerland for the first time in 35 years.

So minimal an inflation rate has been possible primarily due to the tenacious attempts of the National Bank to control the money supply. The "overheating" of the early 1970s giving way to recession in 1975, worried the Swiss very badly and led to a deep fear of price-wage spirals. An authority set up to monitor prices has been effective more by its presence than by its actions. It has been conducting an acrimonious dispute with the Zurich restaurant trade, which refuses to put down the price of a cup of coffee by 10 centimes.

Low inflation has coincided with a period when the currency has shot through the ceiling. Exporters are able to keep Swiss-franc prices more or less stable; since cost increases are in most cases not excessive, while Swiss hotels have been able almost to freeze Swiss-franc rates every year since 1974. Though low inflation rates are now no longer enough to make up for the rise of the Swiss franc's external value, they do help a great deal to keep Switzerland in business: exports for 1977 were at an all time high in value terms despite the soaring exchange rate.

The authorities will continue to do all in their power to keep inflation not only under control but definitely low. Money-supply growth targets may occasionally be departed from, but only temporarily; the National Bank is set fair to keep money supply within the annual 5 per cent. growth framework in 1978. The battle against inflation, as the authorities do not tire of saying, is still of prime importance. Economists believe that the cost of living will continue to rise at a speed well below the international average both this year and next.

Andreotti, Communists hold talks

By Dominick J. Coyle

ROME, Jan. 23.

Sig. Giulio Andreotti, Italy's Prime Minister-designate, to-night met the Communist Party leadership in preliminary soundings to determine if even a routine formula for a new Government is possible.

Speaking after the meeting, Sig. Enrico Berlinguer, the Communist Party's secretary-general, would not disclose any details about the discussions but held out the prospect of a further encounter following his party's central committee meeting later this week.

The Communists, publicly at least, continue to demand direct participation in Government, which Sig. Andreotti's long-ruling Christian Democrats are determined not to concede.

Sig. Andreotti's immediate task is to see if the Communists will settle for less. The alternative is likely to be new elections, although these are not due until 1981.

Following his opening talks with the Communists, the Premier-designate was due to meet the Socialists, Italy's third-largest party, and tomorrow and on Wednesday he is due to hold talks with other smaller parties before reporting on Thursday to the Christian Democrat leadership.

On that same day, the Communists have called a special meeting of their Central Committee, the final arbiter of party policy, and its decision is likely to influence definitively the outcome of the present Government crisis.

Meanwhile, the Italian Bishops' Conference, to which the Communist leadership has made recent indirect overtures in an attempt to improve the party's relations with the Vatican, opened a meeting to-day which, among other things will deal with the Communist demands for direct participation in Government.

Ecevit to delay IMF aid request

BY DAVID TONGE

ANKARA, Jan. 23.

THE NEW Turkish Government does not intend to approach international financial organisations for help until after it has put its house in order, Mr. Ziya Muezzinoglu, the Minister of Finance, said last night.

His remarks indicate that the Ecevit Government intends a further study of the situation it has inherited before rushing to decisions.

Its inheritance is in fact a virtual shambles. There is a backlog of foreign exchange transfers totalling nearly $3bn.; the cost of living in Istanbul rose 45 per cent. in the year to November.

Meanwhile, unemployment is approaching 20 per cent.; there are daily queues in the cold for meat, heating paraffin and bread; and an increasing number of factories are having to limit production because of a lack of imported raw materials.

But asked whether the new Government would continue the interrupted negotiations with the IMF, the Minister said that Turkey is not prepared to share its duty to put its affairs in order with anybody.

"We intend first to stop our country's slide towards the worse, then steady matters," he said.

"To achieve this we will implement our own measures. Only after that will we consider establishing contact with international organisations, and if necessary proceed with these," he said.

The foreign banks had initially demanded that Turkey must reach an agreement with the IMF before they would grant it fresh credits. This month, however, they have been hinting that the new Government's programme is more important than a formal agreement with the IMF.

Turkey's reserves remain just under $500m., which is close to the working minimum. While Turkey has long been behind on payments for normal imports, it has also built up a backlog of $500m. for oil imports.

Iraq, to which Turkey owes $234m., has stopped supplying Turkey from the Iraqi-Turkey pipeline since the beginning of this month. Normally Turkey could expect to take about 1m. tons per month from the pipeline, or almost all its import needs.

Metin Munir adds from Nicosia: Turkey is to make new troop reductions in Cyprus in the next few days as a gesture of goodwill, military sources said here to-day.

Since the war of 1974, Turkey has announced the withdrawal of about 14,000 of its some 40,000 officers and men on the island. The latest 700 left on December 16.

Turkey now has an estimated 26,000 troops on the island guarding the border with the Greek sector.

Talks between the two Cyprus communities, which have been in limbo since last April, are expected to be resumed by the beginning of next March.

Mr. Denktash, who returned from Turkey to-day, said here that his proposals on the territorial and constitutional aspects of the Cyprus problem would be ready within "two or three weeks."

Our Athens correspondent adds: Greek Premier Constantine Karamanlis has agreed to meet his Turkish counterpart Mr. Ecevit in the spring to seek solutions to the disputes dividing the two countries.

Soares looks for ministers

By Diana Smith

LISBON, Jan. 23.

PORTUGAL'S new government now has 10 days to present its programme to Parliament for approval, following the official proclamation of Sr. Mario Soares appointment as Prime Minister in the State gazette to-day.

Sr. Soares has been sounding out many personalities, for ministerial posts, but there is still considerable ground to be covered before the Government can be formed and sworn in officially. This is likely to happen by Thursday or Friday this week.

Some Socialists are known to be reluctant to accept Cabinet posts because they are not fully convinced that the new alliance of Socialists and Centre Democrats will be workable.

The degree of support the new alliance will get is still a question mark. Much of the rank and file of both parties is upset by what they see as a betrayal of ideological principles.

Western observers invited to Soviet manoeuvres

BY DAVID SATTER

MOSCOW, Jan. 23.

IN TWO MOVES clearly directed at the final session of the Belgrade conference on European security, the Soviet Union has invited British and U.S. observers to military manoeuvres to be held next month and published a new list of closed areas which considerably expands the areas in the Soviet Union where foreigners are permitted to travel.

In the past, the Soviet Union has invited observers from countries bordering the area where the military manoeuvres were to take place.

The military manoeuvres, which are code-named Berezina, after the West Russian river of that name, will be held on February 6-10 near Minsk and are expected to involve two army divisions, four air support units and 25,000 men. The invitations to the U.S. and Britain are seen as an attempt to demonstrate Soviet willingness to comply with East-West confidence building measures to all the major Helsinki signatories before the scheduled end of the Belgrade conference in mid-February.

The Soviet travel rules, spelled out in a revised list of cities closed to foreign visitors which was made available to Moscow's diplomatic missions, added 20 towns and cities to the list of areas open to foreigners.

The Soviet Union formally closed large areas of Kazakhstan along the Chinese border, which had long been effectively barred to foreigners, and closed the Jewish autonomous region which lies on the Soviet-Chinese border in the Far East. At the same time, however, it opened several previously closed towns in the Moscow area, towns and areas in the Russian republic and nine cities in the Baltic republics of Lithuania, Latvia, and Estonia which had previously been completely closed to foreigners except for their capitals.

Belgian forces wage demand

By David Buchan

BRUSSELS, Jan. 23.

BELGIAN Defence Ministry officials said to-day that pay demands by armed forces trade unions were being studied by the Government, but warned that the need to upgrade equipment left little scope for immediate rises.

Over the week-end, some 6,000 members of the services—a tenth of the total regular forces—demonstrated in the eastern Belgian town of Liege, wearing civilian clothes and demanding equal pay with their civilian counterparts.

Gibralter talks

Sr. Adolfo Suarez, the Spanish Prime Minister, is sending a senior party official to Gibraltar tomorrow to hold meetings with Gibraltar Government leaders, Joseph Garcia writes from Gibraltar. He is Sr. Javier Ruperez, secretary general for international relations of the the ruling Centre Party. Sr. Ruperez will have talks with Sir Joshua Hassan, the Chief Minister. He is being accorded the protocol reserved for official visits.

THE U.S. BUDGET and President Carter's major economic measures

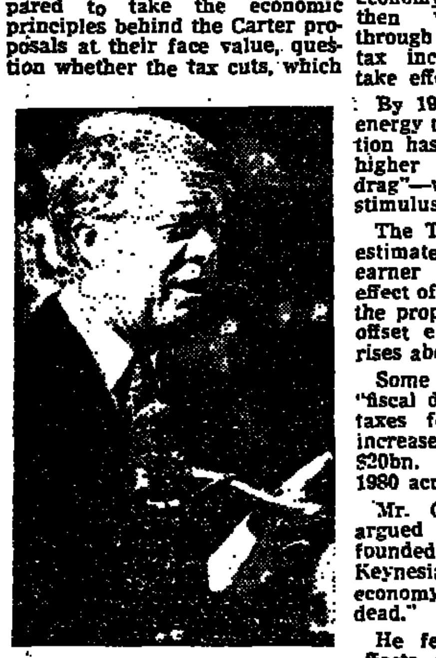
Tax measures under attack from businessmen

BY STEWART FLEMING NEW YORK, Jan. 23.

PRESIDENT CARTER'S proposals to try to stimulate the economy through tax reductions for individuals and corporations have come under heavy attack from the business community.

Some economists, such as Dr. Albert Cox of Merrill Lynch Economics and Mr. Lief Olsen of Citicorp, are raising fundamental questions about attempts to "fine tune" the U.S. economy through fiscal policy with Mr. Cox arguing that the attempt could backfire.

But even those who are prepared to take the economic principles behind the Carter proposals at their face value, question whether the tax cuts, which the President proposes, totalling $24.5bn. will be adequate to stimulate the economy. It is argued that in practice they will not offset increases in taxes already in the system and the impact of inflation in carrying individuals into higher tax brackets.



President Carter

An early response from one of the most powerful segments of the business community came this morning from Mr. Irving S. Shapiro, chairman of the largest U.S. chemical company E. I. Du Pont De Nemours and also of the Business Roundtable which represents nearly 200 of the largest U.S. multinationals.

Mr. Shapiro said that while the proposals represented steps in the right direction, they still come out "on the negative side" for business as a whole.

He suggesed that the cuts in the corporate tax rate from 48 per cent. to 44 per cent. maximum and the broadened investment tax credit with the retention of its 10 per cent. level are insufficient to recoup drains in other areas.

Political reaction to the proposals was also cautious. Mr. Thomas P. O'Neill, Speaker of the House of Representatives, questioned whether in an election year, Congress will approve much more than half the revenue-raising proposals which the President has announced.

Other political leaders such as Minority Leader Mr. John Rhodes argued that the cuts the President proposes are not enough and that reductions of $51bn. are needed.

Economists, pointed out that the President's tax reductions will only begin to come into effect in the final quarter of this year.

The positive effect on the economy which they will have then will steadily decline through 1978 as social security tax increases already enacted take effect.

By 1980, the expected higher energy taxes, and the effect inflation has of pushing people into higher tax brackets—"fiscal drag"—will have eliminated any stimulus.

The Treasury has put out an estimate suggesting that for one-earner families the combined effect of higher payroll taxes and the proposed tax reductions will offset each other when income rises above $25,000.

Some estimates suggest that "fiscal drag" and higher payroll taxes for social security will increase the tax burden by $20bn. in 1979 and $27bn. in 1980 across the economy.

Mr. Cox. of Merrill Lynch, argued that the proposals are founded in Washington on a Keynesian approach to the economy which is "completely dead."

He feared that the negative effects on growth of a higher Government budget deficit, which he estimated at $75bn., will create inflationary expectations and weaken investment. "Germany and Japan are recognising that," he said, but not Washington.

He was also critical of the redistributive element in the tax proposals which he argued is taking the U.S. down a similar road to that followed by the U.K. and undermining work incentives in the process.

Some businessmen said that the proposals have not helped them come to a clearer view of the Administration's priorities, whether it is unemployment, growth, or the environment.

They pointed out, for example, that only a small proportion of the tax cuts—about one-third—are directed at stimulating corporate investment which they feel is a central requirement for the economy.

U.S. oil demand

U.S. oil consumption fell, on a seasonally adjusted basis, to 16.73m. barrels a day in November from 18.58m. in October and an average 18.51m. in the third quarter of 1977, said the Organisation for Economic Co-operation and Development, Reuter reports from Paris

A mild shot in the arm

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, Jan. 23.

THE PRESENTATION of the American budget is usually very different from its British counterpart. But over the last few days Washington has seemed rather more like London. Instead of the straightforward, if voluminous, traditional statement of what the Government intends to spend over its next fiscal year and its predictions for the course of the economy, there has been a plethora of official announcements, embracing not only the budget but also a tax cut, mini-reform package and a new voluntary wages and prices consultative process. The trouble is that although it is possible to glean from all three, plus the State of the Union message, a clearer idea of the Carter Administration's economic philosophy, it is much less evident how much of what the President has proposed will be translated into action. Thus what confusion existed before about economic policy is likely to persist awhile until some of the legislative knots are untied.

Some conclusions, however, may be drawn. The first and most obvious can come as no surprise: as was plain from his earliest campaign speeches, the President is an econome conservative, who believes that the private sector, not the Government, must lead the economic expansion. The spending budget rising by less than 2 per cent. in real terms, is, in Mr. Carter's words, "lean and tight," to the extent that the Government provides stimulus it will do so in the form of tax reductions and incentives for investment rather than through heavier federal expenditures and grandiose new programmes. Liberal Democrats have already complained that Mr. Carter's economics are far too Republican, but they had received ample warning that this would be the case.

But Mr. Carter is not, it is also clear, a rigid economic conservative. It is now tacitly admitted that one original overriding goal—that of balancing the budget by the 1981 fiscal year—may have to be abandoned if economic circumstances so dictate. The official budget predictions envisage deficits of over $60bn. in fiscal years 1978 and 1979, but dramatc improvements thereafter. But Mr. Charles Schultze, Chairman of the Council of Economic Advisers, whose own doubts about the possibility of balancing the books have never been far below the surface, is at pains to point out that projections of such a balance do not constitute hard and fast forecasts, but are essentially assumptions based on relatively optimistic economic scenarios.

Private sector

One commitment towards the balanced budget theory has not, however, been abandoned. The administration remains determined to reduce the proportion of Gross National Product provided by federal spending from the present 22.5 per cent. to 21 per cent. Some of this can clearly be achieved by eliminating spending waste — and Mr. Carter's fascination with managerial competence has more than a little to do with this—with the result that administration officials are making much of the fact that this budget is the first to which the cherished tactic of zerobased budgeting has been applied. But it is also acknowledged that such a goal can only be attained if the private sector growth is sufficiently vigorous.

There is a growing acceptance of the view that additional stimulus may be needed, probably next year, but conceivably before, to keep things moving. Critics of the tax cut package are already arguing strenuously that it amounts to no net stimulus at all, with the combined impact of higher social security levies and the impact of inflation on tax payments more than offsetting the tax reductions. There is also the possibility of still higher taxes in the wings should the Energy Bill get passed in anything approximating the manner proposed by Mr. Carter.

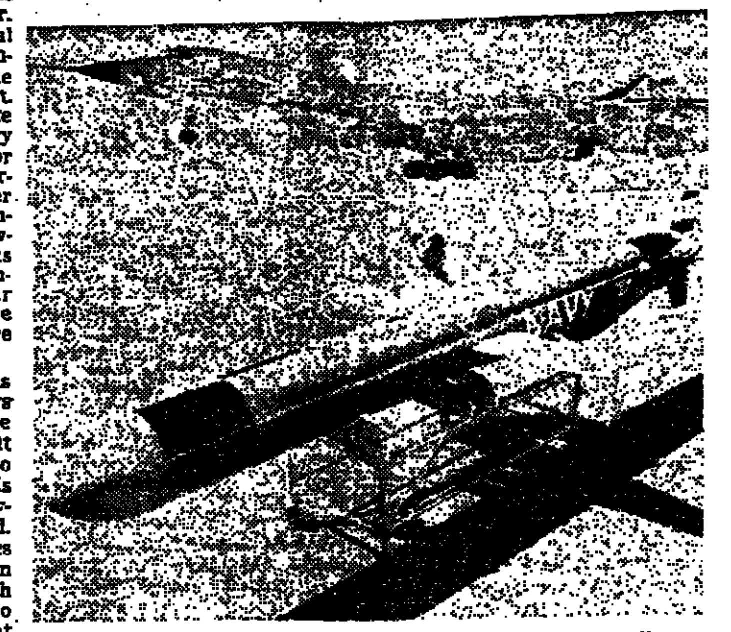
It it also clear that the President is not finding it easy to come up with convincing policies on inflation. His removal of Dr. Arthur Burns from the Federal Reserve Board chair was construed as a weakening of the anti-inflationary commitment, which is probably an inaccurate assessment. Yet Mr. Carter's very conservativism and distaste for additional bureaucratic interference has induced him to offer only the mildest of anti-inflationary programmes. Ironically, however, even such a cautious approach has been roundly condemned by industry and labour alike as the thin end of the wedge of ultimate wage and price controls.

All the economic documents issued over the last few days reflect a lowering of some of the earlier optimistic sights about what could be done drastically to improve the economy. The goals for both inflation and unemployment are significantly reduced. This may well be sound politics as well as economics. For, in spite of the uncertainty which still generally exists, there is also a growing realisation here that the economy has performed soundly in Mr. Carter's first year, certainly by international standards. Mr. Carter tried to accomplish a lot last year and was attacked for attempting and promising too much. This year the rhetoric and the pace of proposals can generally be reckoned to be less frenetic.

Even so, there does appear to be a visceral weakness in the Administration's insistence on propounding controversial measures that distract from the main goals. That was true of the Energy Bill, which was probably too complex in presentation.

In the Administration's defence, it must be said that there is nothing wrong in advancing egalitarian ideas. Indeed, this is a thread which runs consistently throughout the economic policy statements. The budget itself allocates 52 per cent. of its total spending for human needs, compared with 50.5 per cent. in the current fiscal year's budget, largely prepared by the Ford administration.

But these are considerations which are not likely to cut much ice when the horse trading with Congress gets under way. The end result could well be a tax reduction and reform mixture appreciably different from what the administration has proposed—and that, in turn, could introduce entirely different considerations for economic planning later in the year.



The U.S. B-1 bomber (above) and the Cruise missile.

Highest ever defence appropriation

BY DAVID BELL WASHINGTON, Jan. 23.

PRESIDENT CARTER'S first defence budget is designed to underline the administration's "very strong commitment" to the NATO alliance, Dr. Harold Brown, the Defence Secretary, told reporters at the week-end.

Introducing the budget—which calls for outlays in the next fiscal year of $115bn., the highest dollar figure in peacetime U.S. history—Dr. Brown said that the new budget is "austere but sound" and that the bulk of the 3 per cent. increase in real spending on defence is earmarked for the U.S. contribution to NATO.

Dr. Brown said that the new budget includes "a wide range of measures designed to improve the readiness of U.S. early deploying forces" within NATO and that the stress on the critical importance of the NATO alliance is a response to the steady "increase in the size of Warsaw Pact forces."

But the budget is not only concerned with NATO. It provides more money for further research work on the M-X missile, the new mobile intercontinental missile that is designed to replace America's ageing Minuteman force. The proposed budget does not include money for full-scale engineering work on this weapon, but Dr. Brown said that it was possible that he would ask for such money later in the year.

As forecast there is also a substantial acceleration of the cruise missile programme. Spending on the air-launched version of the missile is set to increase from $381m. in this fiscal year (which ends on September 30) to $416m. in the next. At the same time the Pentagon is asking for more than a $55m. increase in funds for the ground launched cruise (to $74m.) which is being developed alongside the air-launched version.

Both the M-X and the cruise are being watched closely by supporters and opponents of the Administration's position in the strategic arms talks which are continuing. Opponents of the Administration stance, who fear that it could leave the U.S. vulnerable by the mid-1980s are not likely to be pleased by the decision to build one less Trident submarine in the coming year. The Administration is now planning three Trident submarines every two years and a consequent reduction in the Trident missile programme.

The commitment to Nato will be welcomed in Europe as a sign that the U.S. intends to keep its promise to increase its real spending on the alliance. Also welcome will be the emphasis on Nato standardisation although,

U.S. DEFENCE SPENDING

Fiscal year	Defence spending[1]	Total obligational authority[2]	As proportion of U.S. Budget
1977	$ 95.7bn.	$108.3bn.	23.8%
1978	$105.3bn. (est.)	$116.8bn. (est.)	22.8%
1979	$115.2bn. (est.)	$126.0bn. (est.)	23.0%

1 Figures in current dollars 2 Figures in current dollars. Obligational authority refers to the total amount authorised by Congress in a given year, not all of which may be spent in that year.

as always, it is less than clear what this means in practical terms.

The new budget does provide for U.S. purchase of French-German Roland missiles, Belgian machine guns for armoured cars, British L16A2 mortars and ammunition, British smoke-grenade launchers and ammunition and Herman artillery training ammunition. It was also reported this week-end that the U.S. may have agreed to install the German tank-gun in the second batch of new XM-1 tanks to be built in the U.S. in the mid-1980s. Some $497m. will be spent on the XM project next year.

There are no surprises either about the future of the U.S. marine corps project to build several hundred American-designed versions of the British Harrier vertical take-off aircraft. Although the marines are still keen on this project, it has encountered some opposition in the higher reaches of the Defence Department.

In the next fiscal year some $85m. is set aside for further work on the AVSB project, as it is known. Another $52m. will be spent on what the Pentagon calls a project "to provide the fleet with multi-mission ship-based tactical aircraft for the 1990s and beyond."

To-day's budget is a 3 per cent. increase in real terms over last year, in spite of President Carter's election pledge that he would reduce spending by $5bn. to $7bn. in his first year in office. Undaunted by this apparent contradiction, Dr. Brown said at the week-end that it was indeed such a reduction if measured against what former President Ford had intended to spend, if re-elected, in the coming fiscal year.

By this measure, he said, the Carter budget is $5.6bn. less in terms of planned spending than Mr. Ford's would have been. The major reason for this is the scaling down of the naval shipbuilding programmes and the cancellation of the B-1 bomber which was a cornerstone of the Ford defence policy.

Labour sees the end of a wedge

BY JOHN WYLES

NEW YORK, Jan. 23.

WAGE-PRICE inflation in the U.S. is nothing like as rampant as it has been in Britain in the last four years, but it is now serious enough to have persuaded President Carter to seek voluntary curbs.

Political realities, however, rule out any kind of formal arrangement with the trade union movement of the "social contract" type, while any attempt to impose formal price controls would be ruled out of order by Congress.

So President Carter has judged that all he can do at present is urge business and labour to support a general approach aimed at cutting inflation in the U.S. by ½ per cent. a year.

His formula is that wages and prices in each industry should rise "significantly less" than they did on average over the past two years.

In pursuit of the vague goal, the Council on Wage and Price Stability together with officials from the Labour and Commerce Departments and the Council of Economic Advisers will hold informal meetings with individual companies and groups of workers to encourage co-operation with the Administration's goals.

Both business and labour are extremely suspicious that moral suasion will be the forerunner of something a great deal more systematic and restrictive. Mr. George Meany, President of the American Federation of Labour-Congress of Industrial Organisations, was speakng for both sides of industry when he said at the week-end that the plan could lead to guidelines which would be "a step down the road towards controls."

Memories of President Nixon's fully fledged prices and incomes policy of 1972-73 are still fresh. Business detested having to justify pricing policies in Washington

President Carter has avoided trying to set benchmarks for wage and price increases this year and has stressed that the targets will depend on the patterns established in individual industries over the past two years.

Nevertheless, the overall aim will be to bring pay and prices back into line with the rate of real growth in the gross national product and to secure greater productivity to offset pay rises.

But any serious attack on the problem will have to persuade both sides of industry to reduce their attachment to cost of living increases which have become a major element in three year settlements.

Politically, 1978 is the easiest year in which to try to introduce a "jaw-boning" pay and prices policy because it is an "off year" which features very few major collective bargaining agreements which could provide important test cases for the policy.

OTHER AMERICAN NEWS

Washington may help on Belize

The good offices of the U.S Government may be called upon to help in the continuing impasse between Britain and Guatemala on the question of the Guatemalan claim to sovereignty over Belize, the British colony adjoining it in the Central America, Hugh O'Shaughnessy writes. It is understood that Washington may make available a U.S. expert in Caribbean affairs who could make a new effort to find an agreement.

Mr. George Price, the Belizean Premier, is to arrive in London this morning, and is expected to see Dr. David Owen, the British Foreign and Commonwealth Secretary, for talks later to-day.

Mr. Price has reiterated his opposition to any cession of Belizean territory to Guatemala in exchange for Guatemala dropping its claim. A U.S. mediator, Mr. Bethuel Webster, was appointed in 1965 but his proposals three years later found favour with none of the parties involved in the dispute.

Venezuela oil output

Venezuelan crude oil production so far this year has fallen dramatically by comparison to 1977, according to the latest data released by the Ministry of Energy, Joseph Mann writes from Caracas. Output of crude up to January 18 averaged 1.73m. barrels per day, down by more than 533,000 b/d, or 25 per cent., from the equivalent period in 1977. Although the drop in production is seen as transient by Venezuelan Government officials, it could do serious damage to government spending plans if it continues. Since the Organisation of Petroleum-Exporting Countries did not agree last month on any price increase for crude oil, Venezuela and other OPEC members will be obliged to rely on 1977 prices, while simultaneously facing a petroleum glut on international markets.

Brazil devalues

The Central Bank of Brazil said to-day that it had devalued the cruzeiro by 1.25 per cent. Its new rate is 16.15-16.25 to the U.S. dollar, Reuter reports from Rio de Janeiro. Brazil makes frequent small adjustments of the cruzeiro.

Pace of U.S. bank lending overseas slowed in 1977

BY DAVID BELL WASHINGTON, Jan 23.

NEW INFORMATION about U.S. bank lending overseas indicates that total U.S. bank claims on foreigners amount to some $150bn., Mr. Fred Bergsten, Assistant Treasury Secretary for International Affairs, told a Congressional committee to-day.

Mr. Bergsten said that new data collected after concern that U.S. banks might be lending too much to too many "risky" developing nations show that the pace of bank lending overseas slowed markedly last year. In the first nine months of 1977 the increase in overseas lending was 10 per cent. at an annual rate compared with the rate of 15 per cent. and more common in previous years.

He said that $47bn. of the $150bn. lent abroad was lent to other foreign banks, leaving about $100bn. in claims by U.S. banks on private non-bank foreign borrowers and foreign governments. About $30bn. of this money was lent in the non-oil developing nations. The data also show that U.S. bank exposure abroad is overwhelmingly short-term with nearly two-thirds of all U.S. bank claims on foreigners having maturities of one year or less.

Meanwhile, Mr. Bergsten said the latest Treasury data indicate that total foreign holdings of U.S. public debt securities were in the order of $100bn. At the end of October, 1977, an increase of $25bn. in the year. West Germany held seven-eighths of the $20.5bn.-worth of non-marketable bonds and notes held by foreign official institutions in the United States.

Although Mr. Bergsten would not identify individual country holdings he said that OPEC countries together have invested only $15bn., or less than 10 per cent. of their total financial assets, in marketable U.S. Treasury securities. Put another way, he said, total OPEC holdings represent about 3 per cent. of all the U.S. Government public debt held by non-U.S. Government entities.

Taken together, he said, the U.S. Treasury now believes that a few oil exporting nations now hold foreign assets of about $175bn. and the shift in holdings of assets, the rise in the price of oil and other ractofs had imposed considerable strains on the world financial system.

However, he said, the amount of debt rescheduling necessary to help Third World countries with serious repayment problems was actually falling. Only Sierra Leone and Zaire had to reschedule their external debt last year and only Pakistan has so far formally requested a rescheduling this year. It was also possible that Zaire would have to reschedule this year for a secon dtime.

Mr. Bergsten said that a new Treasury study, the results of which will be published shortly, had concluded that the external debt position of many developing nations was less serious than once feared. This was because economic growth and expanding exports had enhanced the capacity of developing countries to service their debts, inflation had substantially reduced the burden of previously incurred debt, the bulk of the increase in the past four years had been to a small group of relatively more advanced developing nations and because the non-oil developing nations had been able to build up their reserves to a current level of some $50bn.

The Assistant Secretary underlined the stiff American criteria which he said should be applied in rescheduling cases. The U.S. would reorganise international debt service only on a case-by-case basis and then only, normally, in the framework of a "multilateral creditor club agreement." At the same time the International Monetary Fund and the World Bank were studying the role of external borrowing in financing development and this would lay the foundation for "further efforts" to manage external borrowing more effectively.

Warning over Korean payments

BY OUR OWN CORRESPONDENT WASHINGTON, Jan. 23.

MR. THOMAS O'Neill, the Speaker of the U.S. House of Representatives, warned South Korea this week-end that Congress would be unlikely to approve more aid to the Seoul government, unless Mr. Tongsun Park, a former lobbyist in Washington, comes here to answer questions about allegations that he bribed several U.S. congressmen.

Mr. O'Neill, who has himself always denied that he received money or favours from Mr. Park, spoke amid mounting congressional irritation that Mr. Park is continuing to refuse to come to Washington to testify. Justice Department investigators, armed with lie-detector equipment, have interviewed him in Seoul, but Congress wants a chance to ask some questions itself.

The Korean bribery investigation has been going on for many months and centres on allegations that, while living in Washington, Mr. Park conspired to bribe several present and former members of Congress.

The Korean government has consistently refused to allow him to appear before the House Ethics Committee, which is investigating the charges under the leadership of its counsel, Mr. Leon Jaworski, the former Watergate special prosecutor.

TRINIDAD AND TOBAGO'S GAS DISCOVERIES

Assuring an industrial future

BY DAVID RENWICK IN PORT OF SPAIN

TRINIDAD AND TOBAGO'S future as the major industrial territory in the Caribbean seems assured by the discovery of substantial quantities of natural gas beyond the most optimistic expectations of the Government. Estimates by the oil companies which have found the gas—usually in the course of exploring for crude oil—range up to 15,000bn. standard cubic feet (scf) in three marine areas around the two islands.

This figure is currently being analysed by two Houston-based international hydrocarbon consulting companies, whose findings are expected shortly. If the estimate is confirmed or even proves too low, which is possible, Trinidad and Tobago will possess enough dry natural gas to last for at least 82 years at an extracting rate of 500m. scf per day.

The presence of large gas reserves would distinguish Trinidad and Tobago from its main competitors for investment capital in the Caribbean, Puerto Rico and Jamaica. Neither territory has gas or oil, which Trinidad has also been producing for more than 70 years. The result is that the cost of energy, a key ingredient in most heavy industry, is considerably less in Trinidad than elsewhere in the region. Gas is also used, of course, as an input into the manufacturing process itself: to produce fertilisers, petrochemicals, methanol and other items from which a wide range of downstream industries flow.

The gas is in the Amoco Trinidad Oil Company's concession off the Trinidad east coast in the Atlantic Ocean, in the reversed L-shape bloc off the south-east coast held by the three-company consortium of Texaco Trinidad/Trinidad and Tobago Oil (TRINTOC)/Trinidad Tesoro Petroleum, and also in the Deminex/AGIP/Tenneco and Occidental/Deminex/AGIP/Tenneco acreages off the north coast, between Trinidad and Tobago. The reserves are believed to be split among the three in roughly equal parts of about 5,000bn. cubic feet each.

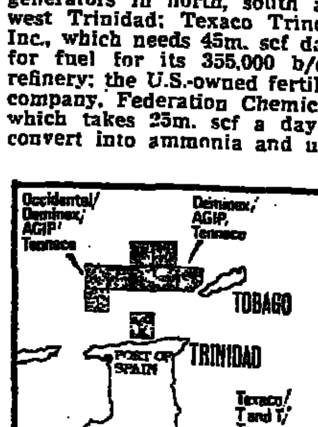
The Houston hydrocarbon consulting companies will also be taking into account a number of other areas for which no estimates have yet been made public. These include the east coast continental shelf, where Texaco/Tenneco, Mobil/Deminex and Texaco on its own have recently sunk exploratory wells, and the northern Gulf of Paria, on the west, where Texaco has been prospecting.

Trinidad and Tobago has, for years been producing gas in association with the lifting of crude oil. The supply fluctuated in keeping with the output of the oil itself, which has been on the decline in land fields (the prime reason advanced by British Petroleum Trinidad for wishing to liquidate its interests in Trinidad in 1968, an event which brought the Government into part ownership of a local oil company for the first time). At least 50 per cent. of this associated gas had, in any case, usually been flared for lack of local outlets.

Land wells

It was Amoco's discovery of both dry gas and oil in the late 1960s that made the widespread use of natural gas in local industry a long-term proposition. In a very short period, Amoco became the producer of almost 60 per cent. of local crude and the gas available in association with this far surpassed that which had previously been realised from land wells. By timely coincidence, the Trinidad Government also became wealthy in a manner not hitherto foreseen, thanks to the quadrupling of international oil prices (and taxes) in late 1973. It promptly resolved to take the initiative in utilising natural gas for a major industrial transformation at home.

The state-owned National Gas Company was set up to be the sole buyer of gas from the oil companies for sale to local industry. It is already handling about 134m. scf a day piped ashore from the Amoco-controlled acreage some 26 miles off the east coast, where the Atlantic swells can sometimes be rougher than those encountered in the North Sea. National Gas's main customers are the Trinidad and Tobago Electricity Commission (T and TEC), which uses 46m. scf daily to power its generators in north, south and west Trinidad; Texaco Trinidad Inc., which needs 45m. scf daily for fuel for its 355,000 b/day refinery; the U.S.-owned fertilser company, Federation Chemicals, which takes 25m. scf a day to convert into ammonia and urea



and about 14 smaller users in the manufacturing sector.

National Gas is now building a platform in the Amoco concession area as part of the process of installing its own distribution system to bring the gas ashore. It has just laid a 24-inch underwater pipeline to the Point Galeota terminal which joins up with land-based lines for carrying gas across the southern half of Trinidad to the Point Lisas industrial estate on the west, where it will be most needed. Other connecting lines take the gas north to T and TEC and smaller customers.

National Gas will have spent $TT128m. (about £30.5m.) by the time the distribution system is in place, enabling it to dispense with the use of the oil companies' lines and platform facilities. All of this money has been advanced by the Government from the Petroleum Development Fund, financed by taxation to underwrite the expansion and diversification of the oil and gas industry in Trinidad. The company's chairman, Mr. Bernard Primus, who is also chairman of Trinidad Tesoro, has said that he expects revenue to reach $TT50m. (£11.9m.) in 1977 but the profit is likely to remain modest for the time being because of high depreciation and debt services.

This century

All the gas being used is made available in association with the production of 231,571 b/day of crude oil, mainly by Amoco. The latter has only briefly tapped a few of its dry gas wells and then shut them in again. National Gas has been promised a supply by Amoco of up to 500m. scf a day for the rest of this century and it is possible that all of that could be provided from associated gas. This would leave the dry gas fields in Amoco's acreage and elsewhere free for export in the form of liquefied natural gas (LNG). The Government is currently discussing this possibility with American companies such as Occidental Petroleum, People's Gas, El Paso Natural Gas, Trans-Continental, Texas Gulf Pipeline and Texas Gas Transmission.

Under President Carter's plan to increase as much as possible imports of foreign gas into the U.S. the price for Trinidad LNG in the U.S. would be not less than $US2.50 per 1,000 cubic feet and probably much higher.

By contrast, in an effort to make local industry competitive on world markets, the Trinidad Government used its bargaining strength to persuade Amoco to agree to provide gas-for-power generation at 22 U.S. cents per 1,000 scf, considered to be one of the lowest prices anywhere in the world. For other local customers, the National Gas Company is getting Amoco gas at 35 U.S. cents per 1,000 scf, which should explain why the Government believes energy-based heavy industry in Trinidad to be such an inviting proposition.

OVERSEAS NEWS

Bid to convene anti-Sadat summit

BY OUR FOREIGN STAFF

ALGERIA is pressing ahead with its efforts to convene a summit conference of Arab states opposing President Anwar Sadat of Egypt's unilateral initiative to bring about a settlement with Israel despite the fact that the initiative now seems to be deadlocked.

Formal invitations to a meeting of heads of state were reported yesterday to have been given by Mr. Lebrahimi, a special envoy of President Boumedienne of Algeria, to President Hafez al Assad of Syria, President Hassan al Bakr of Iraq, and Colonel Muammer Gaddafy of Libya.

Mr. Lebrahimi yesterday left Damascus for an unknown destination but the purpose of his visit was believed to be the convening of a "rejectionist" hard-line summit by the end of the month. His Middle East trip followed hard on the heels of one by President Boumedienne who recently visited Damascus and Baghdad in a bid to mediate between the two Baathist regimes there.

Some kind of reconciliation between Iraq and Syria at foreign minister level, however, would be required before Mr. Assad could meet Mr. Bakr, or Mr. Siddam Hussein, his deputy, at a neutral venue. As reported yesterday in the Financial Times a meeting between Mr. Abdel-Halim Khaddam, Syrian Foreign Minister, and Mr. Saddoun Hammadi, his Iraqi counterpart, is expected to take place in Algiers imminently.

Reuter adds from Jerusalem: Prime Minister Menachem Begin of Israel to-day accused the Egyptian Press of anti-semitism at a time when peace negotiations were in progress.

In a speech to the Knesset he asked: "Does this reflect the thoughts of President Sadat who sat with me late into the night and told me 'you are my friend'?"

Meanwhile, Mr. Gideon Patt, the Israeli Housing Minister, said to-day that the Golan Heights was already a de facto part of Israel and the day was not far when it will also be de jure.

McNamara for talks on Egypt economy

By Michael Tingay

CAIRO, Jan. 23.

ATTENTION HAS focused once again on Egypt's chronically sick economy—one important aspect of President Sadat's peace initiative — Mr. Robert McNamara, President of the World Bank, who is here on a 10-day visit one year after the country was brought to a total standstill for 48 hours by the worst ever food riots in its history.

Mr. McNamara is meeting Egypt's economic team headed by Dr. Abdel Moneim el Kaissouny, Deputy Prime Minister for Economy and Finance, to establish the true position and prospects for the economy in 1978.

The World Bank's $270m. contribution in project assistance last year is put into stark perspective by the scale of the macro-economic imbalances.

The balance of trade deficit last year was brought down almost to nothing because the Government persuaded the Arab-backed Gulf Organisation for Economic Development (GODE), a $2bn. fund set up originally for project investment assistance, to channel its remaining $1,400m. into balance of payments support.

U.S. commodity and food aid last year was valued at $1bn., while bilateral arrangements by Arab States provided Egypt with substantial (though not accurately measurable) aid in loans, deposits and both capital and current financial assistance for defence.

Egypt still runs a current account deficit which seems year after year to approach £E1bn. (£1,322m.). Last year some internal financing exfforts were made with fiscal improvements and the tapping of locally available hard currency resources (like deposits in foreign banks and unused liquid cash owned by oil companies).

With some restrictions on imports continuing, the current account deficit expected to full to an estimated £E450m. in the 1978 budget year, the foreign finance gap will be lower this year than for four years. Foreign analysts say that the foreign finance gap (the difference between hard currency needs and income including borrowed money) will be reduced to $1.5bn. in 1978, compared to $2.3bn. in 1975 and $2bn. in 1976.

Despite the improvement in the short term the Government's economic quandary remains the same this year as in January 1977. Last year's riots were triggered when the Government tried to impose cuts in subsidies on basic food commodities which pushed up the prices of different commodities by 10-60 per cent. overnight. Severe rioting nationwide with a conservative official death toll of 80 forced the Government to back down.

This is why the total spent on direct and indirect subsidies remained as high as £E600m. last year.

Saudi GNP up 15% over last two years

NICOSIA, Jan. 23.

SAUDI ARABIA'S current five-year development plan, the largest ever in the Middle East, has achieved a 15.4 per cent. growth in the Kingdom's gross national product over the last two years, 4.2 per cent. higher than originally planned, according to the Middle EastEconomic Survey.

It quoted Mr. Hiasham al-Nazer, the Saudi Minister of Planning, as saying that the growth in the non-petroleum private sector has amounted to 18 per cent., as against a target of 13.4 per cent., during 1975-77.

The Minister appeared to refute alegations by Beirut newspapers that the $142bn. plan was running into expenditure bottlenecks, with planners unable to spend allocated sums.

A Beirut newsletter had claimed the Kingdom was unable to spend $41bn. out of the total investment allocation and that the sum would be rolled into the second five-year development plan now being worked out.

The rate of actual expenditure on Saudi projects also improved, particularly in the General Ports Organisation, the Directorate General of Mining Resources and the water sector in the Ministry of agriculture where it reached 80 per cent. of allocations, the Survey said.

Mr. al-Nazer gave the following recapitulation of the main achievements of the first two years—July 1975-June 1977—of the five-year plan:

- A total of 3,371 kilometres of paved roads, bringing the road network in the Kingdom to 16,638 kilometres.
- Daily unloading rates at the ports increased from 30,879 tons to 52,734 tons, with the "hold-up period (for ships waiting to unload) dropping to zero."
- Saudi, the national carrier, increased its fleet to 37 aircraft, ten more than was targeted in the plan. Passenger traffic increased to 3.1m. as against a target figure of 1.9m.
- The private sector completed the construction of 100,000 housing units, as compared with a planned 42,000 units. The Saudi Development Fund provided $6.46bn. in housing loans.
- Electric power generation capacity increased to 2,390 megawatts, compared with a target of 2,560 megawatts.
- A total of $260.8m. in loans and subsidies have been extended to farmers who received donations totalling 236,708 acres of reclaimed farmland. Some 86 portable water networks were completed, and the output of sea water desalination plants amounted to 12.86m. gallons and 50 megawatts of electricity a day.
- Licences were issued for 267 new industrial plants in 1975-76 and a further 184 during the first half of the following year. Loans granted by the Saudi Development Fund amounted to $686.4m. during the two-year period.
- The number of students in elementary and secondary schools rose to 928,274, compared with a targeted 1,011,071. The number of university level students rose to 22,234, as against a target of 22,350.

In the absence of official census, Saudi Arabia's population has been variously estimated at 6.03m., 7.7m. and 8.9m.
AP-DJ

Vorster to reshuffle cabinet

By Quentin Peel

JOHANNESBURG, Jan. 23.

A MAJOR RESHUFFLE of the South African Cabinet is expected to be announced this week with important implications for future relations between the Government and the country's black population.

The key jobs in the changeover are Bantu Administration and Development, and Bantu Education which are held by Mr. Michael Botha, one of the most conservative members of the present Cabinet, who resigned his seat at the November general election.

Front runner for the primary job of Bantu Administration and Development is Dr. Connie Mulder, at present Minister of Information and of the Interior, and the politically powerful leader of the National Party in the Transvaal. He is an ambitious man, who has been tipped as a possible successor to Mr. John Vorster as Prime Minister, although recently he appears to have fallen from favour.

Another possible for the job is Mr. S. P. Fanie Botha, the successful and popular minister of Mines and Labour. He would be an ideal compromise candidate.

The other area of speculation is that the Departments of Bantu Administration and Bantu Education will once more be divided, as they were until 1966.

Reuter adds: The Ambassadors of five Western countries have held further talks with Mr. Pik Botha, the South African Foreign Minister, on Namibia, it was confirmed here to-day.

Sadat plans diplomatic offensive

By Roger Matthews

CAIRO, Jan. 23.

PRESIDENT ANWAR SADAT of Egypt is to launch a three-pronged diplomatic offensive in the next few days aimed at convincing world opinion of the justice of the Arab cause in the Middle East and appealing for support against Israeli "intransigence."

Mr. Sayed Marei, the Speaker of the People's Assembly, will head a parliamentary delegation to the U.S. which it is hoped will be received by President Carter. Mr. Mohammed Ibrhaim Kamel, the Foreign Minister, is to visit London, Paris and Bonn, while Vice-President Hosny Mubarak will tour several Arab and African capitals.

Although the approach will vary according to the country visited it will basically seek more active support for Mr. Sadat's peace initiative. Those countries that have already praised Mr. Sadat's work for peace will be urged to put their expressions of encouragement into a more concrete form.

The morning newspaper Al Gomhouria said to-day in an editorial that the world should stand together in protecting Mr. Sadat's initiative and in resisting the attempts at sabotage being carried out by Mr. Begin and his "extremist Zionist group." Moral weapons were of little value against Israeli arrogance, it claimed.

Mr. Sadat to-day spent some time closeted with his Foreign Minister discussing the latest Egyptian moves in the at least temporarily deadlocked talks with Israel.

PAKISTAN'S NUCLEAR POLICY

A collision course

BY SIMON HENDERSON IN ISLAMABAD

PAKISTAN is heading for confrontation with both France and the U.S. because of its determination to buy nuclear reprocessing equipment. The Americans are afraid that the deal could conflict with their policy to prevent nuclear proliferation. France is trying to renegotiate the deal it signed for a reprocessing plant in 1976 but Pakistan has been adamant that it expects the original contract to be honoured.

All three countries are locked into circumstances which may jeopardise their relations if no way out is found. The military regime in Pakistan and all political parties consider the fulfilment of the deal almost as a question of national honour, while France does not want to be seen going back on its word, particularly if it is thought to be under American pressure.

The U.S. itself does not yet have a clear-cut position on the prevention of proliferation. Different parts of the Administration still reflect significantly different attitudes, although the government itself has proved to be more flexible than seemed likely when President Carter made his speech on proliferation policy last April. But under the Glenn Amendment to the Foreign Aid Act, which has been operative since August 1976, all aid except humanitarian aid has to be cut off from countries which build nuclear reprocessing equipment in defiance of Washington. Development aid from the U.S. to Pakistan is currently running at about $80m. a year, which is essential to Pakistan's weak economy.

As if this threat were not serious enough to Pakistan, there are domestic political overtones as well. The detained former Prime Minister, Mr. Zulfikar Ali Bhutto, who retains much support in the country, has always alleged that he was overthrown by the army because he stood up to American disapproval of the reprocessing plant. For the present Pakistan Government to accept an alternative would be to suggest that he was right.

The alternative still being offered, according to French sources is a co-processing plant which in recycling spent fuel produces uranium and plutonium as a mixture of oxides of the two fuels. Pakistan says this technology is still "unproven" and at first turned it down last September. Only a re-processing technology which separates the uranium from the plutonium is acceptable.

The basis of the U.S. position is that if the Pakistanis are genuinely interested only in recycling nuclear fuel, then mixed oxides of uranium and plutonium can be used without trouble. But if they wish to separate pure plutonium for a bomb, then co-processing would certainly hamper and might well thwart that intention. There is scepticism about the need at this stage — if indeed ever—for a national reprocessing capability in Pakistan, even for a nuclear programme which envisages providing 50 per cent. of domestic energy needs by AD 2000.

Speaking to journalists accompanying Mr. James Callaghan, the British Prime Minister, on his visit to Pakistan, the military ruler, General Zia-ul Haq, complained that American pressure was very discriminatory. The Middle East countries and Pakistan, he said, were the only areas in the world which did not have reprocessing facilities. The statement was interesting because it has always been rumoured that Mr. Bhutto was able to obtain money from the Arabs for the reprocessing plant on the basis that he would share the technology with them.

Some people have even gone so far as to say that Mr. Bhutto promised the Arabs the bomb so as to match Israel's supposed nuclear capacity. As if sensing the implications of his words, General Zia was quick to add that, of course, Pakistan would not pass on the technology to one of the more radical Arab states. Obviously the General is sensitive on the question, for whereas previously he has said that he was under no American pressure, he now says that the U.S. has threatened to cut off its aid.

The prosecution has finished its case in the murder trial of the former Prime Minister of Pakistan, Zulfikar ali Bhutto, Simon Henderson reports from Islamabad. To-morrow statements will be taken from four of Mr. Bhutto's co-accused after which it is expected to be only a matter of days to complete the summing up before the final judgement. Mr. Bhutto himself announced a boycott of the trial two weeks ago and is not expected to offer any defence.

The threat probably was implied rather than actual. Informed sources, bearing in mind that the Glenn Amendment does not require action until reprocessing equipment arrives in the country in question, say that this point has not yet been reached. The site at Chasma on the banks of the River Indus has been cleared, and the shell of the building has gone up, but as far as it is known, it is still empty. In fact the Pakistan Secretary for Foreign Affairs, Mr. Agha Shahi, has recently complained that the work started last year for completion in 1982 was already nine months behind schedule.

The sophisticated equipment that only the French could make is a machine that chops the very radioactive spent fuel into small pieces, and a processing vessel designed and fabricated with great care to avoid hazardous nuclear "excursions" involving a dangerous amount of radiation. Both items are on the recently released "trigger list" of nuclear equipment which the 15 member nations of the Nuclear Supplies Group, France among them, have undertaken in future to supply only to those nations that accept international inspection of the use they will put it to.

Observers here feel that what has kept the potential crisis at the low level of Press leaks and diplomatic telegrams is basically the pro-American attitude of General Zia. They feel that if Mr. Bhutto had been in power he might have started a major diplomatic offensive against Washington, similar to that which took place in May 1977 when he blamed opposition agitation on the U.S. The current American involvement is not seen as being anything more than careful observation of what might be happening in negotiations between Paris and Islamabad, and perhaps looking more carefully at potential future aid projects in Pakistan. If it did come to a major diplomatic argument though, all parties would lose. Pakistan could well cancel plans to buy European Airbuses for its national airline and call off the project with the Saviem truck subsidiary of Renault to build a local plant.

The continuing uncertain political situation in Pakistan may mean that General Zia could be toppled by a real crisis, to be replaced by a general whose desire to match the nuclear capabilities of India would be more open. The American position that General Zia's word that Pakistan had no ambition to make nuclear weapons did not bind future administrations would have become a self fulfilling prophecy.

Even if French - Pakistan negotiations on a face saving compromise remain at a stalemate, a crisis could occur next summer when supplies of uranium for the reactors already working are expected to run out. Canada the only supplier at the moment, is reported to be attempting to renegotiate its contract.

Since India used Canadian technology to set off a nuclear explosion Ottawa is extremely sensitive to the danger of proliferation. Some sources report that supplies for the Karachi reactor are being held back pending acceptance of tighter safeguards. Local claims that there are alternative supplies are dismissed as a bluff.

General Zia says that if the plant were not to arrive from France it would not be such an emotional matter for himself. But he does not attempt to predict other responses. The new French attitude indicates that Pakistan must change its ideas soon about becoming a reprocessing centre for the Middle East in a post-oil age. It must realise too that the hope that 20 reactors, including plutonium initiated fast breeder reactors, may be operating by AD2000, is little more than a pipedream.

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WORLD TRADE NEWS

North Sea support vessel contract goes to Japan

AY DAFTER, ENERGY CORRESPONDENT

TOM-BUILT maintenance ergency support vessel, d for work in the U.K. of the North Sea, is to be o Japan at a cost esti-to be over $50m. (£27m.). order, placed by the Occi-group which is developing per and Claymore oil will come as a particular o the U.K. shipbuilding y which is hoping to gain slice of the market for w breed of vessels. The ment has estimated that 240m. will be spent on six n vessels over the next ars or so.

lental's vessel will be d and operated by the group, Sedco. It will be to the Sedco/Phillips bmersible maintenance ergency vessel now being y Phillips Petroleum on ofisk Field complex in the gian sector of the North

dental said that it had Sedco and Japanese s because of their exper- and the short-delivery The multi-purpose vessel to be handed over in 79.

oil group said that an delivery was considered of importance. Both the and Claymore fields were now on stream and with other discoveries in the East of Aberdeen safety zone (including the Forties Field) were yielding about 80 per cent. of Britain's current oil output. Although U.K. yards were given a fair opportunity to compete they were unable to meet the very tight delivery schedule, said Occidental. The Government has accepted this fact.

However, following pressure from the Department of Energy, Occidental has conceded that a British crew will be used as soon as the necessary specialised skills and experience have been acquired.

The Sedco/Phillips, the world's first specially constructed semi-submersible utility and emergency vessel built by Mitsubishi at Hiroshima, is equipped with a diving support unit, a workshop, a heavy lifting crane, fire fighting equipment, a hospital and temporary living accommodation. It is thought that Occidental's vessel will have similar facilities.

A British yard looks set to win at least one of the new maintenance vessel orders. British Petroleum has confirmed that it is studying tenders from five U.K. yards for a semi-submersible unit which will be employed on the Forties Field.

● Department of Energy Ministers and officials will shortly discuss possible amendments to the Government's interest relief grant scheme designed to help British suppliers of offshore oil and gas equipment compete in the £1bn.-a-year North Sea market.

The Government is under pressure from Brussels to alter the scheme which, according to the EEC Commission, is out of line with Common Market policies. The scheme provides British manufacturers with 3 per cent. interest relief on certain orders for the U.K. sector of the North Sea.

Its existence has been one of the factors behind the U.K. industry's growing share of North Sea orders—now thought to be around 65 per cent. The Department is believed to be considering a number of amendments which would bring the scheme more in line with interest relief schemes operated on the Continent. However, it could be some time before the issue is settled. Both the equipment supply industry and the U.K. Offshore Operators Association (representing oil companies) have told the Government they would oppose a plan which would result in the scheme being scrapped or radically altered.

Building orders up in Italy

By Paul Betts

ROME, Jan. 23.

ITALY'S PRIVATE construction industry continued to increase its export performance of last year, particularly in the oil producing countries of the Middle East, partly as a result of the new Italian export credit scheme.

According to latest figures released by the industry's national organisation, ANCE, orders won by the Italian private construction sector last year totalled lire 2,500bn., or about £1.6bn., compared to lire 2,200bn. in 1975.

About 80 per cent. of the contracts concerned Middle East oil countries, while Western Europe represented barely 0.5 per cent. of the total. The majority of new contracts involved civil engineering projects like industrial and urban buildings, hydroelectric plants, roads and bridges.

Over a seven year period, the industry has seen its export performance increase from lire 80bn. in 1970 to lire 300bn. in 1973, and subsequently to lire 1,200bn in 1975, lire 2,200bn. in 1976 and lire 2,500bn.—equivalent to about 30 per cent of Italy's annual oil bill—last year.

The new export credit scheme introduced by the Italian foreign trade authorities last year has helped the industry by speeding up the former cumbersome process and facilitating the granting of export credit lines.

● Italian exports of leather shoes fell 1 per cent., to 178m. pairs, in the January-November period last year, compared with the same 1976 period. Exports rose 30 per cent. in value, lire 1.78bn., AP-DJ reports.

Shoe producers do not yet consider the decline a cause of concern, though trade restrictions on shoes are tightening, and should they become more severe, there could be economic difficulties in the sector, the Government Statistics Bureau reports.

France and China sign first 'framework' cooperation pact

BY ROBERT MAUTHNER

PARIS, Jan. 23.

FRANCE AND China has signed what was described as a "framework" scientific and technical co-operation agreement, the first of its kind between China and any Western country.

The agreement, concluded during the official visit which French Prime Minister Raymond Barre is currently paying to China, covers joint studies and projects in animal genetics, pharmacology (research in medicinal herbs), computer technology, telecommunications and geological exploration.

After the signature ceremony, M. Barre, who has had a particularly warm welcome from the Chinese leaders, said that Franco-Chinese co-operation should be "global and not just confined to a few specific fields. It was also intended to be long-term. "Our horizon is not three or five years, but several decades," he said.

The Chinese told the French Premier that the sharp fall in bilateral trade which occurred in 1977 could be explained mainly by China's internal political problems. But now that these had been resolved, Peking was confident that trade between the two countries would quickly expand.

Mr. Teng Hsiao-Ping, the Chinese Vice-Premier, even gave M. Barre an undertaking that French exporters and companies would be given a certain preference over those of other countries on condition that they could match the prices and quality of the products offered by their competitors.

The sectors mentioned by the Chinese as offering the best trade were energy, including oil, chemicals, electronics, computer technology, trucks and food products.

According to French newspaper reports from Peking, French and Chinese Ministers also discussed the possibility of French arms and nuclear reactor sales to China, but no details were given by the French delegation, which tried hard to play down this aspect of the bilateral talks.

It appears that the Chinese expressed great interest in obtaining sophisticated military equipment from France, particularly in the field of electronic detection. But the French, it is understood, did not commit themselves, pointing out that exports of equipment of this kind were subject to the authorisation of COCOM and a similar Western organisation dealing with China which lay down joint rules for the export of sensitive military equipment to Eastern Europe and China respectively.

Clearly, the French are also anxious not to anger the Soviet Union by exporting military equipment to China. Moscow is reported to have expressed its hostility to such a possible move in the strongest terms.

GM to build French plant

PARIS, Jan. 23.

GENERAL MOTORS France plans to start a plant near Sedan in the Ardennes district of northern France to make car heating equipment to be sold to European markets.

The company said it has signed an undertaking to buy an 8,000 square metre plant on a 50,000 square metre site at Doncherry, near Sedan. It declined to give financial details but said the plant, due to start production in the second half of 1979, will employ 300 people when fully operational.

General Motors France already has plants at Gennevilliers, near Paris, making accessories and at Strasbourg making automatic transmissions and carburettors.

The company's Harrison radiator subsidiary will give technical assistance in setting up the Sedan plant, which will receive aid under French regional development programmes

● Importers' share of the French car market rose to 22.9 per cent. of cars sold in November from 20.5 per cent. in October but was below the 23.4 per cent. figure reached in November 1976, the Vehicle Importers' Association said.

For the first 11 months of 1977 importers took 22.15 per cent. of the market with importers' car sales accounting for 385,848 out of a total of 1,741,645 against 22.67 per cent. or 383,116 out of 1,689,417 for the same 1976 period.
Reuter

Consortium in DM1.1bn. Libyan deal

Babcock AG of West Germany and Budimex Corporation of Poland have signed a contract worth Dm1.1bn. for the construction of a power station at Homs, near Tripoli in Libya. It is the biggest ever concluded between the two countries on co-operation in a third market.

Babcock is acting as head of the consortium. The Polish share is worth Dm.166m. Deutsche Kraftwerk-Union, French and Yugoslav companies are also involved.

Nigerian licence

The Zurich-based consortium Concast AG has signed a licence agreement with the Nigerian Government for the supply of a continuous casting plant worth Sw.Fr.140m. The unit will consist of three six-strand casters for the conversion of molten steel into billets. It will form part of the Warri Steelworks being built in the Nigerian State of Bendel.

STC order

The Export Credits Guarantee Department has guaranteed a £14m. contract awarded to Standard Telephones and Cables by Compania Telefonica Nacional de Espana of Spain and Azienda di Stato per i Servizi Telefonici of Italy. STC will be responsible for the supply and installation between Barcelona and Genoa of the world's highest capacity undersea telecommunications cable system. It is due to be commissioned in May next year.

Danish deficit

Denmark's trade deficit fell Kr.960m. to Kr.19.0bn. last year, according to preliminary trade figures. Imports rose 5.9 per cent. to Kr.79.48bn. and exports 9.8 per cent. to Kr.60.47bn. In the third quarter the figures were still more favourable with imports up only 0.1 per cent. to Kr.20.5bn. and exports up 12.9 per cent. to Kr.16.6bn. with the trade deficit cut from Kr.5.7bn. to Kr.3.8bn.

Lorry delay

TIR lorries due to travel through Turkey to Iran and the Middle East are being delayed for up to five days at the Bulgarian-Turkish border, according to reports reaching Ankara. A change in customs practices has led to queues of nearly 12 miles on the Bulgarian side.

Dutch trade

Trade between Argentina and Holland is expected to rise to record $1bn. this year, according to the Argentine-Dutch Chamber of Commerce. Mr. Arthur Hendriks, the Chamber's Administrative secretary told newsmen.

Trade between the nations amounted to $700m. last year and $350m. in 1976. Official figures, which cover the first nine months of last year, show a $124.3m. deficit against Holland, which sold only about 15.5 per cent. as much as it imported from Argentina.
Reuter

German-U.K. trade gap wider

GUY HAWTIN

FRANKFURT, Jan. 23.

LATEST breakdown of German trade statistics that British exports to ederal Republic continued powerful expansion in iber. However, West in shipments to the U.K. maintained a relentless n and the surplus in trade in West Germany's r widened further.

ile trade performance not be judged on rds that apply to a foot-eague, it is disappointing even the massive boost North Sea oil exports have to the U.K. figures have to dent the Federal blic's surplus in its trade Britain. The situation be reversed this year as ollow from the North Sea ases, but this will do noth-o improve the fundamental em which is that sales of German manufactured s in the U.K. are growing aster than those of Britain e Federal Republic.

In the first 11 months of 1977 British exports to West Germany totalled DM9.45bn.—close on 22 per cent. up on the performance in the comparable period of 1976 when exports amounted to DM7.74bn. The rate of growth was far ahead of the average 6.35 per cent. expansion in West German imports.

Against this, the figures—abstracted by British trade officials from Federal statistical office returns—show that West German exports to the U.K. went up by 20.3 per cent. during the same period, from DM11bn. to DM13.24bn. This growth rate was also well above the 6.8 per cent increase in British imports during the first 11 months of last year.

Exports of manufactured goods accounted for virtually all of West Germany's shipments to the U.K. Against this, British non-oil exports totalled DM8.66bn.—14.2 per cent. up on the figures for the first 11 months of 1976—and by no means all of these were manufactured goods.

During the period under review the Federal Republic's share of the British imported goods market amounted to 5.34 per cent., although this rose to 5.6 per cent. in November. The average for the first 11 months of 1976 was 4.74 per cent.

Britain's share of the West German imported goods market during the 11-month period averaged 4.41 per cent., including crude petroleum shipments, and 4.5 per cent. of the total, excluding crude oil deliveries. This compares with 3.85 per cent. and 4.22 per cent. respectively for the same period of the previous year. In November the picture was a little more encouraging with Britain holding some 4.32 per cent. share of total German imports and a 5.1 per cent. slice of the market excluding crude imports.

Singapore cuts trade deficit

By Anthony Rowley

SINGAPORE, Jan. 23.

THE VISIBLE trade deficit here narrowed to $Sing.5.4bn. against $Sing.6.1bn. in 1976, according to latest official figures.

Exports grew by 23.5 per cent. to $Sing.20.10bn. while imports grew by a more modest 13.9 per cent. to $Sing.25.50bn. in 1977.

Major contributors to the improvement in Singapore's trade gap were increased exports of fuel—the republic is Asia's most important oil refiner—and of raw material exports. Singapore is a major entrepot centre for commodities such as rubber and timber grown in neighbouring Malaysia and firm prices for both commodities last year probably allowed Singapore some stock profits.

Singapore also imports certain commodities from Indonesia and re-exports them, however, as these do not show up in the official import figures here (for political reasons) it is not known whether the absence of them gave the overall trade figures a bigger boost than was strictly justified.

Singapore's visible trade deficit is usually offset by service earnings and capital inflows which in 1976 resulted in a balance of payment surplus of $Sing 719m. after transfer to official reserves. The 1977 balance of payments figures have not yet been published.

VW domestic sales surge

BY JONATHAN CARR

BONN, Jan. 23.

VOLKSWAGEN easily topped the list of new car registrations in West Germany last year. It sold 8,500 more of its Golf model alone than in 1976. But it was a record year for virtually all companies.

Vehicle registrations increased 10.1 per cent. to 2.83m.—with car registrations up 10.8 per cent. to 2.56m.

VW/Audi increased its cars result to nearly 790,000 from 663,000 in 1976. Opel was second with nearly 496,000 followed by Ford with 370,992 and Daimler-Benz with 220,485.

Leyland was 15th with 13,709, compared with 12,639 in 1976, when it was 14th.

VW Golf registrations totalled 213,500 (against 205,000 in 1976). Opel Ascona 154,000 (150,000). Opel Kadett 142,500 (133,000) and the Ford Taunus 129,000 (134,000).

These are the top 10 companies, with 1976 results in brackets:

VW/Audi ...	789,979	(663,095)
Opel	495,863	(469,304)
Ford	370,992	(345,511)
Daimler-Benz	220,485	(203,213)
BMW	140,182	(130,090)
Renault	126,436	(123,455)
Fiat	113,231	(108,198)
Chrysler	56,824	(55,731)
Citroen	48,551	(41,163)
Peugeot	44,430	(41,724)

Australia-U.S. air row looms

BY KENNETH RANDALL

CANBERRA, Jan. 23.

THE DISPUTE between Australia and the U.S. over Pacific air services has called into question the air services agreement between them.

The Australian Government announced to-day that it had formally asked the U.S. for consultations on the agreement. Mr. Ian Macphee, the acting Transport Minister, said: "In the course of the talks, the Australian Government wants reviewed most of the major provisions of the agreement."

The talks with the U.S. were expected to start next month.

The agreement was negotiated in 1946 and has had no major amendment since 1957. To-day's announcement left no doubt that Australia's immediate concern was the situation developing on the Pacific.

The Carter Administration has licensed Continental Airlines to join Pan American on the Pacific services to Australia. The Australians say this would cause serious over-capacity which would damage Qantas, the national flag carrier.

The Australian Government is already re-assessing the whole of its international civil aviation. It was prompted, in part, by Mr Freddy Laker's attempts to start low-price services between Britain and Australia.

Soviets boost Comecon trade

Y DAVID SATTER

MOSCOW, Jan. 23

SOVIET UNION'S trade its Comecon partners is luled to rise sharply in 1978 deliveries of machinery ing at the most rapid pace, ding to figures released by oviet news agency Tass.

ntinuing the trend of recent , the Soviet Union's trade the Socialist world, taken whole, will increase to 59 cent. of total Soviet turn-The Socialist countries nted for a projected 57.5 ent. of Soviet trade in 1977 52 per cent. in 1976.

planned increase in Soviet with Comecon countries is ved to reflect the desire of con countries to reduce the ise in their hard currency indebtedness and the opportunities for trade created by increased industrial production. It also will undoubtedly stem from the higher price of Soviet oil. Soviet oil prices to Comecon countries are being raised on a yearly basis according to a sliding scale which reflects changes in world oil prices averaged out over the previous five-year period.

The value of Soviet trade with East Germany, the Soviet Union's largest single trading partner, is set to reach roubles 7.3bn. (£5.53bn.) in 1978 or an increase of 9 per cent. over the projected 1977 Soviet-East German turnover of roubles 6.69bn. (£5.07bn.).

Trade with Poland will have a value of roubles 6.7bn. or 0 per cent. over the projected 1977 Soviet-Polish turnover of roubles 6.1bn. and trade with Hungary in 1978 is expected to have a value of roubles 6.4bn. or 60 per cent. over the projected 1977 turnover of roubles 4bn., according to the Tass announcement.

The increase in Soviet-Hungarian trade expected in 1978 is the most dramatic of those envisaged in trade between the Soviet Union and its Comecon partners. It is believed to stem from a policy decision taken last year to increase the Soviet share of Hungarian foreign trade to over a third of total turnover.

Change to bribe laws might hit trade, warning

BY MARGARET REID

BRITISH INDUSTRY could be put at a severe disadvantage in world trading if the present law on bribery and corruption were extended to the private sector, says the British Institute of Management.

The point is made in a memorandum to the Industry Department from the institute after the recommendations in 1976 of the Salmon Royal Commission on Standards of Conduct in Public Life.

The Salmon Commission recommended that the Prevention of Corruption Acts, as they applied to Crown servants and other public employees, should be consolidated and amended.

It also expected that "the opportunity will be taken of considering what, if any, changes are needed in the application of the present legislation to the private sector."

The institute has told the Industry Department that if the Salmon recommendations were to apply to the private sector, "there would be a danger that a large part of accepted, and at present lawful, company practice would be swept away."

Under the present law, the corrupt offering, giving, soliciting or accepting of bribes is an offence where public servants are involved.

The institute fears that the curtailing of bribery practices which are at present legal "would hamper British companies in the home market and place British industry at a severe disadvantage in the world trading situation. Current company practices should be protected as far as possible."

The institute's views have a particular topicality, following last week's conviction at the Old Bailey of two former executives of the Racal Electronics group for giving money to an army officer in connection with a £4m. radio contract from Iran.

The officer was jailed for three years for accepting the money, while one of the executives was jailed for 18 months and the other received a 12-month prison sentence, suspended for two years.

The institute, which has limited its comments to bribery and corruption in the U.K., says it believes that traders, whether in the public or private sector, should be allowed to operate on equal terms.

Therefore, if the trading element of industries in the public sector is to be safeguarded, the institute considers that they should be allowed to operate under the rules and penalties which at present apply to the private sector.

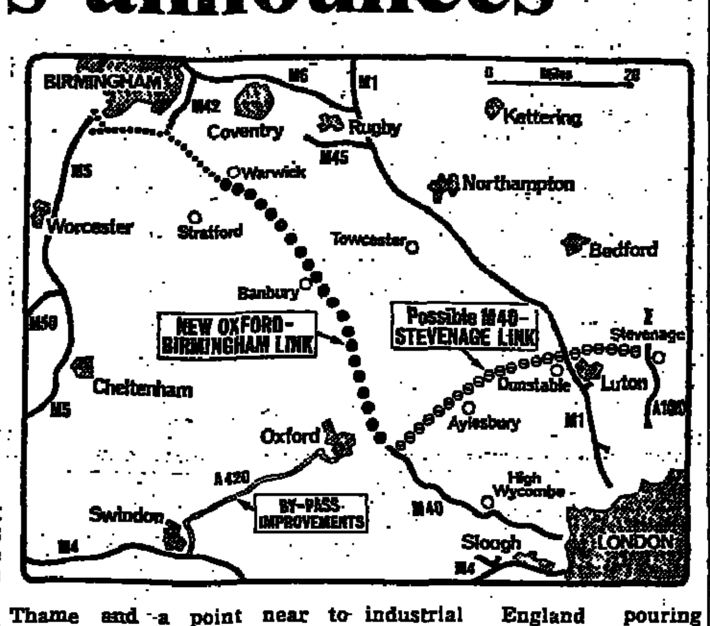
Stricter rules would remain for the "central nucleus" of public servants whose functions lie outside the field of trading.

The institute's comments are of interest also in the light of a recent report on extortion and bribery in business transactions from the International Chamber of Commerce Commission on Ethical Practices headed by Lord Shawcross.

This report recommended stronger legislation by Governments, the adoption of rules of conduct by international business on a voluntary basis, and the creation of a special interpreting and supervisory panel.

Rodgers announces £185m. road plans

By Ian Hargreaves, Transport Correspondent



A TRUNK road is to be built between Oxford and Warwick as part of a £185m. package announced yesterday by the Government.

The cost of the 43-mile route, which will stitch together two sections of the M40 between Oxford and the London outer orbital road and a section of the M40 South of Birmingham, is put at between £90m. and £100m.

It may not, however, be built to motorway standards. Mr. William Rodgers, Transport Secretary, said yesterday that in the light of the recent downward revision of traffic forecasts in response to the findings of the Leitch Committee on trunk road assessment, a decision on the precise standard of the dual-carriageway was being left open.

The second decision announced yesterday, on the plan for a new east-west corridor between Swindon and the M11 to the north-east of London has also involved downgrading previous plans.

At an estimated total cost of £85m., the Government now plans to provide three by-passes on the A420 between Swindon and Oxford and to carry out a further investigation into the possibilities of a combination of road improvements and construction between the M40 near Thame and a point near to Stevenage.

This route will not now be extended beyond Stevenage because, Mr. Rodgers said, the decisions to cancel the Maplin Airport and Channel Tunnel plans have altered traffic forecasts.

The decision on the outline route of the Oxford-Warwick road was greeted last night by the Midlands Motorway Action Group as "half a victory."

It would go on to challenge the proposals at public inquiries which will probably be called in about 18 months time, when the Department of Transport has completed detailed investigations of the route.

Construction could begin with a section of the road by-passing Banbury in the early 1980s, with other sections following by the middle of the decade.

South of Banbury on the existing A423 road, there is a daily traffic flow of 21,000 vehicles and a flow of lorries on certain sections at a rate of more than one a minute.

Mr. Rodgers said: "We are talking about the products of industrial England pouring through the streets and rattling the windows of historic England. That is a mess and we are going to do something to sort out the tangle."

The cost of improving the existing road with by-passes would have been the same as building an entirely new road.

Although the main justification advanced for the road yesterday was environmental, the Department of Transport also sees it as a key link in the Birmingham-Southampton corridor and as a means of easing the pressure on the southern end of the M1 by drawing traffic from West London on an alternative route to the Midlands.

Studies for east-west connections between Swindon, the M1 and the M11 have been carried out by consultants and with population expected to increase by a third in a number of towns in this belt by the 1990s, Mr. Rodgers has decided on a policy of improvement, by-passes and some building.

The timing of this programme will depend on future consultations with local authorities

U.K cash urged for African unions

By Philip Bassett

BRITISH MONEY should be made available to black trade unions in South Africa to allow them to report back on wages and conditions there, a church report on the new EEC code of conduct for European companies in South Africa recommended yesterday.

The report by the inter-denominational Christian Concern for South Africa has been submitted to the Foreign Office and the Department of Trade.

The Government is expected to produce a White Paper shortly on how the EEC code affects British companies after discussions with interested parties including the CBI and the TUC.

The report welcomes the objective of the EEC code, but says Christian Concern is "not optimistic" that it will have a major impact on the economic or social positions of the black majority in South Africa.

Information

The Christian Concern for South Africa's response to the voluntary EEC code, published in September last year, suggested:

- A Parliamentary committee should be set up to monitor and assess the performance of British companies in South Africa.
- The threat of commercial sanctions for companies which break the EEC code should be "real and immediate."
- Disclosure provisions by companies should be mandatory.

The EEC code replaces the British code agreed in 1973. The Christian group says that the main problem with the old code was the difficulty of obtaining information.

The atmosphere created by the old British code could be dispelled only by clear and decisive action by the Government.

Reports on wages and conditions should not "just rest in an archive in London," but should be widely distributed to black trade union groups in South Africa, it says.

The EEC code inherited an "accumulated fund of scepticism and cynicism" from the old, and it was believed "that the code, while it has many good points, is not capable of effective implementation in its present form."

Society To-day Page 23

Rubery Owen group profitable again after £6.5m. losses

RUBERY OWEN, the Midlands-based motor components supplier and one of the largest private companies in the U.K., reported a net loss of nearly £6.5m. in 1975-76 in accounts filed at Companies House yesterday.

The results have been delayed because of extraordinary items on the sale of the forklift truck subsidiary to Coventry Climax, a member of the British Leyland special products group.

A major reorganisation of Rubery Owen has put the group back into profit. Draft results for the financial year ending October 1 last year, indicate a trading profit of about £1.75m.

The surplus was achieved in spite of severe industrial relations problems and the strike during Christmas, 1976, which cost around £750,000 in lost profit.

The company was paid around £1.25m. by Coventry Climax for the Conveyancer forklift truck operations but Rubery made loss provisions of £4.6m. in the accounts.

These included a £600,000 operating loss sustained by Conveyancer in the first quarter of 1976-77.

The negotiating position of Rubery Owen in discussions with Coventry Climax was impaired by the prolonged strike at its Darlaston motor components plant.

The value of Conveyancer, the forklift truck business, had been reduced because it provided models parallel with the Coventry Climax range, and Rubery Owen had reached the point where additional investment in new models was necessary.

The only other prospective purchaser for the Conveyancer business was Lansing Bagnall which had only recently merged with Henley Forklift.

Coopers and Lybrand, the auditors, qualify the accounts by noting that they have been "unable to verify the adequacy or otherwise" of the provision for losses arising from the disposal of the forklift truck business.

The accounts also include as an extraordinary item a £1.15m. loss which covers the trading deficit of a Dutch subsidiary company in 1975/76 and 1976/77. The company, John Smit, was acquired in 1974 and has since been sold to another Dutch organisation.

Smit was a volume supplier of fasteners to the oil refining industry, particularly in the U.S., but was hard hit by Japanese imports.

The extraordinary items in the 1975/76 accounts total £5.525m. Taxation took £1.188m. The group trading profit was £574,000.

Kite company given second chance

Creditors of Peter Powell, whose "Stunter" aerobatic kite was voted Toy of the Year, with sales of 360,000, in 1976, agreed in the High Court yesterday not to press for the compulsory winding-up of the company.

By consent, Mr. Justice Slade dismissed a winding-up petition presented on December 19 by Minalex, of Bristol, judgment creditor for £30,000.

Counsel for Minalex told the judge that the creditors had agreed to a scheme of arrangement to keep the company going and it was no longer appropriate to proceed with the petition.

The Cheltenham-based kite company was founded in 1975 by Mr. Peter Powell, a former self-employed carpenter who had perfected the "Stunter" in his spare time.

The company ran into trouble last year when a number of overseas orders went wrong. There were also problems with defective materials and returned products reached 50 per cent., a figure which has now been reduced to 2 per cent.

Since the appointment of new management, Mr. Powell claims that, whereas last year is was necessary to produce 10,000 kites a week to break even, this figure has now been reduced to 2,000. He says that debts of £400,000 last November have now been cut to about £200,000.

Healey to launch drive on industrial strategy

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE GOVERNMENT'S attempts to re-invigorate its industrial strategy will be launched by the Chancellor to-night when he holds talks with almost 40 chairmen of working parties on aspects of the strategy.

After the talks, at the Treasury, Mr. Healey will give a party at 11, Downing Street for the chairmen and others involved in the work of the National Economic Development Council.

The strategy is two years old. Reports on its progress, prepared by the working parties covering key manufacturing sectors, will be considered next week by the Council.

At this meeting Mr. Healey will join Mr. Eric Varley, who will be at to-night's gathering, in presenting a Government Paper on how the strategy should be developed.

Ministers are especially keen to see the ideas for modernising industry developed by some working parties communicated into individual companies.

They are considering whether to try to give the strategy a national image by making some general economic statement about Britain's future potential growth rate.

These ideas will probably be discussed to-night with the chairmen, who include industrialists, trade union officials, and senior staff of the National Economic Development Office.

Flood bill

THE COST of repairing sea defences and holiday caravan and camping sites at Wells, Norfolk, damaged in floods nearly two weeks ago, has been estimated at more than £500,000.

London water cost up by 15-18%

FINANCIAL TIMES REPORTER

AN INCREASE of about 15 per cent. for householders and 18 per cent. for commerce and industry in water charges is recommended by the Thames Water Authority in its annual budget, published yesterday.

This means that the average London household will pay £37.50 for its water services, an increase of £5.50 on last year.

It is to introduce a system of direct billing for water and sewerage services, instead of, as in the past, local and district authorities being responsible for collection on an agency basis.

The authority hopes to save more than £1m. a year by billing direct, though it has yet to reach agreement with Wycombe District Council over transfer of responsibility.

Most councils have co-operated with the change. Some were reluctant, as it meant loss of work for their staffs. They will therefore either have to contemplate some "natural wastage" or reallocation of duties

While a lowering of interest rates helped revenue last year, the surplus generated must be distributed in the coming year, rather than held over to smooth the rise in charges in the next two years.

The amount the authority must pay to the National Equalisation Fund to spread the load between the 12 water authorities of England and Wales has been reduced to £2.1m., instead of the £7m. expected at first.

This still accounts for over 20 per cent. of the increase in domestic charges this year.

In future domestic bills will constsist of a two-part tariff for water and sewerage. Both will at first have a standing charge of £4, with an additional charge based on rateable value of the property.

The authority is budgeting for a deficit of £10.9m. in 1978-79 and this will mean a fairly substantial increase in the following year to compensate.

After that the authority hopes to keep the pattern of increases in line with any increase in the retail price index.

Callaghan pledges more help for pensioners

FINANCIAL TIMES REPORTER

THE GOVERNMENT was pledged to intensify its efforts to help the elderly, Mr. James Callaghan, Prime Minister, told the governing body of Age Concern England yesterday.

He said in reply to a challenge from Mr. David Hobman, director of Age Concern, that the Government's record was one of providing increasing help.

During a period of intense inflation, the pensioner not only had been protected by Act of Parliament, but had actually received an absolute improvement in the standard of life at a time when those at work were acquiescing in a fall in their real standard of living.

Mr. Callaghan also listed the other areas where help was given to the elderly—medicine, housing, community care and transport.

Mr. Hobman had told the Prime Minister previously that the Government needed to change radically its attitudes towards the elderly. In a possible election year 9m. pensioners would be looking for far more than better pensions.

They were concerned about the thousands forced to stop work though clearly willing to continue, and Age Concern would be looking at ways of implementing flexible retirement.

TriStar engine order for Rolls

By Michael Donne, Aerospace Correspondent

ROLLS-ROYCE will provide engines worth £18m. for five Lockheed TriStars ordered by Delta Air Lines of the U.S.

The order, announced yesterday, is worth $150m. (more than £80m.) in all, to Lockheed and Rolls-Royce and their associated suppliers.

Delta already has a fleet of 25 TriStars with Rolls-Royce engines, but these are of the earlier medium-range version. The aircraft now ordered are Series 500 long-range models using the more powerful (48,000 lb thrust) Dash 524 version of the Rolls-Royce RB-211 engine.

Atlanta route

Delta, one of the biggest airlines in the U.S., will use its long-range TriStars on its new route between Atlanta, Georgia, and London (Gatwick), which it was recently awarded by President Carter.

The airline starts flying the route this spring, but until it starts to take delivery in 1979 of its long-range TriStars it will be leasing two of these aircraft from another airline.

The order brings total firm orders and options for TriStars to 215. The order is expected to stimulate further contracts for the long-range TriStar from other airlines.

£3m. fuel plan

A £3m. WASTE disposal plant which will turn household rubbish into fuel for industry, is to open at Byker, Tyne and Wear, in December.

The plant will produce one ton of industrial fuel pellets for every two tons of refuse fed in.

Welsh Agency puts capital into Myson

BY ROBIN REEVES, WELSH CORRESPONDENT

THE WELSH Development Agency announced an investment in the Myson group last night, to help purchase and re-equip a Cardiff factory of the former Penrad Radiator company, which went into receivership last year.

The purchase of Penrad's facilities by Myson for £325,000 was announced last November. Yesterday, the Agency said that it was investing £600,000—its third largest single outlay of risk capital—in a new company, Myson Radiator (Wales).

The investment will be convertible into Myson group ordinary shares after five years and is subject to the approval of Myson shareholders. Myson itself expects to spend £1.5m. in the next two years, including the initial purchase price.

The new Cardiff plant will provide Myson, which claims to be one of Europe's leading manufacturers of heating, ventilating and air-conditioning equipment, with its third U.K. facility for the production of radiators.

After modifications to the Cardiff works, the company plans to have its first production line in operation by early spring.

Property empire break-up complaints to be probed

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

CITY OF London Fraud Squad detectives have been called in to investigate complaints about the break-up of Mr. William Stern's £200m. property empire.

Mr. Kenneth Cork, who is liquidating the Stern companies under a scheme of arrangement agreed after the group's collapse in 1975, asked for a police investigation to clear the air after a series of complaints by former Stern tenants.

Tenants' associations formed to buy Stern group flat blocks have run into competition from often anonymous property dealing companies.

When out-bid, the associations have complained of exploitation by speculators.

Mr. Cork said yesterday: "We have had about 10 complaints over the past two years and we have referred all of them to the City Police."

Mr. Cork explained that the police referrals were "not because we think there is anything criminally wrong—in fact some of the complaints are absolute nonsense—but we do not want there to be any suspicion of a cover-up."

Detective Chief Superintendant Keith Taylor, head of the City Fraud Squad, confirmed that he and Detective Superintendant Marc Kirkwood were investigating the acquisition of certain properties of the Stern group of companies, at the request of the liquidator.

Jersey arrivals set record

PASSENGER ARRIVALS in Jersey reached a record figure of 1,248,254 last year—an increase of 4.5 per cent. on 1976—according to figures released yesterday.

There was a noticeable swing back towards sea travel to the Channel Islands with arrivals by sea up by 9 per cent. while air traffic rose by only 1 per cent.

Guernsey, which unlike Jersey excludes day trippers and inter-island travellers from its figures—recorded 305,886 arrivals last year, a drop of 1.7 per cent. on 1976.

Community motor cover plea

By Eric Short

A PLEA for a Community motor insurance policy to cover the same risks in all member countries of the EEC was made last night by Mr. Christopher Tugendhat, EEC Commissioner.

The differences existing between motor insurance practice between countries were an obstacle to free movement, he told the Insurance Institute in London. The Commission had tried to find a way of standardising minimum level of cover, but there was a fairly general refusal to contemplate any change in existing arrangements by member Governments.

A Common Market in insurance was a major element in providing a sound business structure for economic integration. But steps to achieve this aim had been slow.

The Commission hoped to bring forward a directive on insurance contracts and their content before the end of the year.

It would also press ahead with work already well advanced on liquidation and winding-up and would be proposing a measure covering the methods of selling insurance outside business premises, Mr. Tugendhat said.

Boeing team in review of U.K. airline needs

A TEAM from Boeing of the U.S. is visiting Britain this week for talks on future aircraft programmes with both British Aerospace, the nationalised aircraft manufacturing group, and British Airways, writes Michael Donne.

The Boeing team is expected to brief British Airways on plans for a new airliner in the 180-seat category, in which it is interested for the 1980s.

The Boeing team is also likely to discuss British Airways' interest in a smaller, 100-120 seat airliner for the early 1980s, which could be either the Boeing 737, the McDonnel Douglas DC-9-40 or a stretched version of the U.K. One-Eleven airliner.

The team is most likely to discuss with British Aerospace the possibility of collaboration between the U.S. and U.K. companies on a future derivative of the short-range 737, which could meet British Airways' requirements.

Such collaboration could make a British Airways' purchase of the U.S. jet more palatable to both the U.K. Government and the unions, even though it might rule out building any new version of the One-Eleven.

Boeing held talks with British Aerospace throughout last year on possible collaboration on a new aircraft venture with little positive result.

The new initiative stems largely from British Airways' interest expressed by Mr. Ross Stainton, chief executive, in short-range jets, as replacements for Tridents and One-Elevens.

Mr. Stainton said in New York last December that British Airways would have to decide some time this year on which new short-range jet to buy in the 100-120 seater class for service in the early 1980s, with up to 20 aircraft involved initially.

This would be additional to any eventual purchase by the airline of a bigger 150-180 seater to meet traffic growth in the mid-to-late 1980s.

Boeing has been preparing its new jet airliner programmes for some time. Mr. Tex Boullioun, president of Boeing Commercial Airplane Company (part of the Boeing group), said in Seattle recently that he foresaw the company starting two new airliner ventures this year—one in the 180-seat medium-range class, and the other the smaller 737 derivative aircraft, capable of seating up to 140 passengers.

The larger aircraft would be ordered by U.S. domestic airlines, such as United, while the smaller aircraft would be launched on the basis of orders from the U.S. and abroad.

Computer may cut cloth

A REPORT on the feasibility of a central computer cutting service for Britain's small manufacturers of clothing is to be considered by the Department of Industry "in a matter of weeks."

The report was commissioned in November by the Garment and Allied Industries Requirements Board of the Department, which evaluates ways in which research could help the clothing industry.

Large companies may already use computers to store patterns, grade garments by size and help to make the best use of cloth.

Numerical control can linke computers with this information directly to cloth cutting machines.

The Board's brief to Metra Consultants of Winslow was to "conduct a study on the feasibility of establishing regional computer numerically controlled cutting bureaux for clothing manufacturers."

These could be set-up in Leeds, Manchester and London, main centres in Britain's clothing industry.

The study was intended to help the Department find out the industry's requirements and the views of garment manufacturers on the relevance of electronic data processing to their business activities.

'Revolving fund' fraud is denied

FINANCIAL TIMES REPORTER

STOCKBROKERS Lewis Altman and Co. pretended to the Treasury as part of an exchange control fraud that money was going from a British company to a Far East firm.

In fact, the money was going from the Far East company into the British company, it was claimed at London's Guildhall Magistrate's Court yesterday.

Mr. Michael Worsley, prosecuting, claimed that the books of Lewis Altman and Co. showed that part of a $956,970 transaction had come from New York and been converted for dollar premium involving $200,000. It had been listed as being paid out by EIC Europe Securities of London Wall, when the money had, in fact, moved into EIC Euro Securities.

The $200,000 had been represented to the Treasury as consideration for 500,000 Concrete shares for AZ Investments (Far East) Ltd., said Mr. Worsley.

He told the court that Altman's books showed that the money had gone to AZ Investments—which would have been the case had it been a genuine transaction—but in fact it had moved to EIC instead of from EIC.

He alleged that a false entry had been made in the books in respect of that transaction

Before the court, facing a total of 32 charges, were stockbrokers Mr. Lewis Altman, 59, of Birchington, Kent, and Mr. Robert Carnes, 31, of Kensington, London. Also named in the charges are their stockbroking firm, Lewis Altman and Co., EIC Euro Securities, Tricommerce Ltd., and former London solicitor Mr. Judah Binstock, now living abroad.

Altman and Carnes plead not guilty to consuiring with Binstock and a number of others between 1974 and 1975 to contravene the Exchange Control Act and obtain investment currency premium on millions of pounds not entitled to the premium.

Mr. Worsley claimed that the defendants and a group of businessmen had operated a "revolving fund exchange control fraud" which had netted a profit of £2m.

The profit had resulted from transactions involving £6.6m. of foreign currency which had been passed off as investment currency. These sums were sent around the world to allow the process to be repeated, he alleged.

Mr. Worsley claimed that the cover-up operation involved forged letters to deceive the Treasury and the use of the Stock Exchange system of "put-throughs," under which a broker with two clients wishing to buy and sell similar blocks of shares could arrange the deal through a jobber who did not see the shares in question.

Entirely fictitious share transactions had taken place in this way, he alleged.

Mr. Jack Norden, a Treasury enforcement officer, said in a statement read to the court yesterday that during investigations of exchange control dealings, Mr. Altman had protested strongly against the suggestion that Altman and Co. had produced false evidence and relied upon forged documents to the Treasury.

"I agreed that 'forged' might not be an absolute description of the correspodence in question but that it was nevertheless spurious for all that," Mr. Norden said.

Chief Inspector John Todd, of the City Police, said in a statement that Mr. Altman, when charged in February last year, had replied: "I am not guilty of the charges made against me."

Det. Sergeant George Corthorn, of the Regional Crime Squad, said in a statement that Mr. Carnes had said when he was arrested: "I am flabbergasted. I don't know what to say. What is it about?"

Mr. Michael Williamson, a stock exchange jobber, of Pinchin, Denny and Co., said his firm had undertaken five put-through deals for Lewis Altman in 1974 and 1975, including Peachey Property shares. His company had no idea of those involved in the transactions.

Mr. Williamson said that Lewis Altman and Co. was asked to state where the business was coming from since it was all the same way—selling in sterling and buying in dollars.

The answer given was that the buyer was an American seeking a stake in Far East companies.

Mr. Worsley said that the total amount paid to Lewis Altman and Co. on these transactions had been £547,550. A further £139,000 had been paid in premiums.

Mr. Leslie Smith, the registrar responsible for transfers of Peachey shares, said that he could find no transfer of shares between Tricommerce Ltd., Tarquinus Trust or Lewis Altman and Co., for the period in question, as alleged in sales relating to 300,000 shares in the company

Mr. John Carlile, a Bank of England official, said that he had expressed surprise at the lack of documentation in the company's transactions and suggested that their auditors would expect to see more.

He said Mr. Altman's financial partner, Mr. Derek Kemp, had replied that stockbroking was not like commercial trading where full invoicing was involved.

The case continues to-day.

Building industry shows signs of recovery

SIGNS OF recovery in the building industry are starting to emerge, Mr. Peter Morley, president of the National Federation of Building Trades Employers, claimed last night.

The building industry's own monitoring system had detected an increasing workload in construction and this should be reflected throughout the U.K. shortly.

The Government itself had forecast a modest increase in production by 1980,

Phone licence extended

BY JOHN LLOYD

THE GOVERNMENT has confirmed extension of the licence to the Hull telephone system—the only independent telephone network in the country—for six months. The extension will run out on June 30.

Mr. Gerald Kaufman, Minister of State, Department of Industry, said in the Commons yesterday that Mr. Eric Varley, Secretary of State, Industry, would consider the issue of a new long-term licence during the extension.

The previous 15-year licence ran out in December. It is widely expected that after a favourable report on the system by Post Office engineers the licence will be renewed.

The Hull telephone system attracts a good deal of local support, largely because the rates are lower than those charged for the rest of the country by the Post Office.

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HOME NEWS

...ondon ...us ...rder ...hared

...n Hargreaves, ...sport Correspondent

...ON TRANSPORT has ...d to share the next phase ...double-deck bus ordering ...mme equally between ...Leyland and Metro-...ell Weyman.
...decision to purchase 50 ...from each company has ...yed Leyland Truck and Bus ...n officials because the ...d Titan has been subject ...lost two years of intensive ...esting in London, whereas ...etrobus prototype has only ...ly arrived in the capital ...testing with the Motor ...try Research Association.
...land, with an 87 per cent. ...of the U.K. double-deck ...t last year, has tradi-...ly dominated sales to ...o Transport. It now faces ...ossibility that its Midlands-...rival, a relative newcomer ...industry, will take a big ...of orders for the new ...ation of double-deck buses ...coming on to the market.
...ndon Transport's order is ...of a £17m. programme to ...50 double-deckers and it is ...stood that the company ...lso signed letters of intent ...Leyland and Metro-...ell for the remaining 300 ...also dividing the order ...or less evenly.

...land hopes

...yland's hope of retaining its ...rship of the 2,000-vehicle-a-...double-decks market now ...on the Titan outperforming ...Metrobus in the tough con-...ns of the capital. Both buses ...laimed to set new standards ...onstruction, safety, ease of ...s, quietness and emission of ...s.
...is less than a year since Ley-...was close to concluding with ...then Labour-controlled ...ter London Council and ...r local authorities an agree-...t on joint manufacture of ...Titan, which at that time ...known as the B15.
...ese talks have not stopped, ...it must be unlikely that the ...would put cash into a com-...y in whose products its ...sport operator has appar-...y only limited faith.

...Councils ...order fewer ...houses

...y John Lloyd

...NCIL house building orders ...e down by 10 per cent. in ...September to November ...rter of last year, compared ...the same period in 1976, ...rding to Department of ...ironment figures issued ...erday.
...ivate house building rose by ...per cent. during the same ...od.
...th council and private ...ing showed a rise in orders ...he last quarter of last year ...the previous quarter—...cil housing by 5 per cent. ...private housing by 12 per ...
...ntractors reported a 42 per ...rise in public works orders ...e last quarter of last year ...ared with the previous one. ...were up 11 per cent. over ...ast quarter of 1976. During ...same period, private indus-...construction orders were ...19 per cent. on 1976 and ...r cent. on the previous ...ter.
...ntractors received orders in ...mber worth £657m. for ...ruction work in the U.K.

...ories switch to ...ew education ...rgets

...CONSERVATIVE Party is ...witch its campaigning in ...ation from standards, to ...on, morals and political ...ing.
...Norman St. John Stevas, ...education spokesman, ...rday outlined in London ...ues 78" which follows pre-...campaigns by the Tories ...hool standards and parental ...s.
...series of educational con-...ces would be held, along ...lectures and a two-way ...nges of views among the ...Tory constituencies, on the ...ose and problems of reli-...and moral education.
...rlier, he said that if ...ers and schools neglected ...values, a vacuum would ...reated into which "sinister ...undesirable forces will ...."

Engineering yet to reap benefit of strong pound

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE GOVERNMENT soon will have scope to deal with some of the underlying problems of the economy—such as the lack of incentives, compressed differentials and low productivity, according to the Engineering Employers Federation.

The federation says in the third of a series of pamphlets entitled The Engineering Industry in Figures, that if the burden of direct taxation can be reduced, while capital investment, industrial modernisation and technological developments are encouraged, "much will have been done to ensure the future competitiveness of British industry."

It would like to see, however, a larger outflow of sterling on capital account to prevent too rapid an appreciation of the currency.

The engineering industry's export performance in the third quarter of last year had been disappointing and the indications were that the fourth quarter would not look much better.

"Certainly the long-term benefits of a stronger currency have yet to be felt and in the short-term it cannot help export pros-

The earlier depreciation of sterling had helped the U.K. to increase its share of total manufactured exports in the second quarter of last year to something near the 1970 level.

While confidence was gradually returning to U.K. manufacturing industry, engineering companies' order books were still 10 per cent. below 1970 levels and 50 per cent. below the peak reached in 1974.

All the indications were of a very slow recovery of demand and output for engineering products, underlying the relatively rapid financial improvements in the economy as a whole.

Output per head in engineering in the second quarter of last year had shown a 4 per cent. fall on the first three months, reflecting a fall in production with a stable workforce. In the second quarter, output per head had been lower than at any time since 1972.

The rate of material price increases had continued to fall rapidly in the third quarter and it was likely that in the final three months of last year material prices for manufacturing as a whole were very little higher than a year previously.

The downward trend was expected to continue as the effects of the appreciation of sterling on imported material prices became apparent.

The increase in output prices had also fallen in the third quarter, but only very slightly.

This recovery in profitability and falling inflation leading to renewed confidence should produce this year an increase in investment by manufacturing industry larger than the 5 per cent. expected for last year.

Dun and Bradstreet returns to Ulster

BY JOHN LLOYD

AN INDICATION of increasing business confidence in Ulster came yesterday with the announcement that Dun and Bradstreet, the business information company, is to reopen its commercial credit reporting office in Bangor, near Belfast, after a break of two years.

The company has covered the province from Glasgow in the interim period. It decided to reopen its Bangor office because it believes security has improved and that the economic outlook is much brighter.

Last year, £170m. was invested, from public and private sources, in Northern Ireland's manufacturing industry.

New projects, expansion and modernisations about to start involve additional investment of more than £67m.

Duty free goods for sale on U.K.-Ireland routes

BY LYNTON McLAIN, INDUSTRIAL STAFF

DUTY-FREE cigarettes and alcohol on ships and aircraft between Britain and the Irish Republic will be available from March 1.

This was announced in a written Commons answer yesterday from Mr. Robert Sheldon, financial secretary to the Treasury, to Mr. Joe Dean, Labour MP for Leeds West.

The decision is a result of talks between the Government and Mr. George Colley, the Irish finance minister.

Ministers agreed to duty-free facilities in ships over 40 tons on approved routes and on flights between airports with customs officers.

The change brings benefits to travellers between the two countries into line with those in force between Britain and other EEC countries. More than 1.6m. people travel between Britain and the Republic each year.

Sainsbury cuts coffee and tea prices

FINANCIAL TIMES REPORTER

TWO WEEKS after launching its new discount programme, J. Sainsbury is cutting the price of coffee and tea.

It is reducing the price of Vendona, already one of the cheapest brands of instant coffee on the market, by 9p to 89p for a 4-oz jar.

Since the fall in world coffee prices a number of supermarket groups have cut theirs. More are expected to do so in the next few weeks.

Sainsbury is cutting tea prices for the third time in four months. PG Tips will drop from 25p to 23½p a quarter.

Campaign to explain new pension scheme

BY ERIC SHORT

THE GOVERNMENT is launching an information and education campaign to explain to the public the operation of the new State pension scheme which starts in April.

Mr. David Ennals, the Secretary of State for Social Services, said yesterday that very little publicity had been given to it so far because it was considered that the best time for explanations would be in the period before the scheme started.

The campaign opens to-morrow with a one-day conference at Lancaster House, London with Mr. Ennals as chairman.

It will be attended by representatives of political parties, employers and trade unions and leading pressure groups, including organisations for the elderly.

It will explain how the scheme operates, how it will affect women, and its relationship with occupational schemes.

There will be an intensive Press advertising campaign from the end of next month until the middle of March.

Finally, the Department of Health and Social Security has prepared an information pack for speakers.

...ide of statistics on Britain

...INANCIAL TIMES REPORTER

...TAIN'S shrinking popula-...shows great enthusiasm for ...zers, camping and ...avanning holidays and ...rying young.

...he population dropped ...htly in 1975 and 1976 for the ...time—excluding wartime ...nce records began.

...veritable tide of such ...istics is contained in ...tain 1978, published to-day ...containing nearly 500 some-...ll bland pages of figures giv-...what the Central Office of ...ormation describes as an ...ficial portrait" of the ...ntry.

...ne family in five now has a deep freeze and the proportion of families sleeping out under canvas or in a caravan as a way of achieving holiday relaxation has passed the 25 per cent. mark.

Those taking all sorts of holidays totalled 38m., against 31m. ten years earlier. Two in five of the holidays were at the homes of friends or relatives.

Ninety per cent. of all households have a vacuum cleaner, and almost as many a refrigerator. But the figure for washing machine ownership falls to 70 per cent., and to 40 per cent. for electric food mixers.

The handbook says that "almost half" of all retail grocery sales are now made in supermarkets, and the number of self-service shops has risen from 500 in 1950 to 28,000 at the latest count.

The average figure for the all-consuming passion of television-watching is, for this time of year, nearly 20 hours a week. Perhaps there is a clock or watch shortage, though, for of the 16bn. phone calls made in the last 12-month period studied, 400m. were to the speaking clock.

Britain 1978. An Official Handbook. SO £6.

BANKING, LEGAL AND INSURANCE APPOINTMENTS

LEGAL NOTICES

No. 00137 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of STUDIO INTERNATIONAL (JOURNAL) LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 13th day of January 1978, presented to the said Court by DUNSTER & WAKEFIELD LIMITED whose registered office is situate at 413, Grand Buildings, Trafalgar Square, London, W.C.2, Paper Merchants, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 13th day of February 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

HERBERT OPPENHEIMER,
NATHAN & VANDYK,
20, Copthall Avenue,
London EC2R 7JH.
Ref: TI/KGO.SRO.4054
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 10th day of February 1978.

No. 00138 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of TOURNAMENT CONTRACTORS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 13th day of January 1978, presented to the said Court by NEVILL LONG & CO. (BOARDS) LIMITED whose registered office is situate at North Hyde Wharf, Hayes Road, Southall, Middlesex, UB2 5NL, Building Board Specialists, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 13th day of February 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

HERBERT OPPENHEIMER,
NATHAN & VANDYK,
20 Copthall Avenue,
London EC2R 7JH.
Ref: TI/KGO.SRO.3093
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 10th day of February 1978.

No. 00174 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of WISHPEAL LIMITED and in the Matter of The Companies Act, 1948

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 17th day of January 1978, presented to the said Court by C. BREWER & SONS LIMITED whose registered office is situate at Albany House, Ashford Road, Eastbourne, East Sussex, Decorators Merchants, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 20th day of February 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BRABY & WALLER,
2/3 Hind Court,
Fleet Street,
London, E.C.4.
Ref: F/TTH. Tel: 01-353 8511.
Solicitors for the Petitioner

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 17th day of February 1978.

No. 00176 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of F. K. INSTALLATIONS LIMITED and in the Matter of The Companies Act, 1948

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 17th day of January 1978, presented to the said Court by UBM SOUTHERN LIMITED PROPRIETORS OF UBM GOSLETT whose registered office is situate at: Antelope House, Bursledon Road, Southampton, Builders Merchants, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 20th day of February 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BRABY & WALLER,
2/3, Hind Court,
Fleet Street,
London, E.C.4.
Ref: F/TTH. Tel: 01-353 8511.
Solicitors for the Petitioner

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 17th day of February 1978.

No. 00198 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of CAPANELLA PROPERTIES LIMITED and in the Matter of The Companies Act 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 17th day of January 1978, presented to the said Court by CAPANELLA PROPERTIES LIMITED whose registered office is situate at 25 Harley Street, London, W.1, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 20th day of February 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

ASHURST, MORRIS, CRISP & CO
17 Throgmorton Avenue,
London EC2N 2DD.
(Ref: JSSS/D178/145)
Solicitors for the Petitioner

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 17th day of February 1978

No. 00229 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of PLASTIC RECYCLING LIMITED and in the Matter of The Companies Act, 1948

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 19th day of January 1978, presented to the said Court by PENSION FUND SECURITIES LIMITED whose registered office is situate at Imperial Chemical House, Millbank, London, S.W.1, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 20th day of February 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

B. J. W. WINTERBOTHAM,
Imperial Chemical Industries Limited,
Imperial Chemical House,
Millbank, London SW1P 3JF.
Solicitor for the Petitioner

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 17th day of February 1978

No 0028 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of SAGAR SECURITIES LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 4th day of January 1978, presented to the said Court by BARCLAYS BANK LIMITED whose registered office is at 54, Lombard Street, London, E.C.3, Bankers, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 6th day of February 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

H. DAVIS & CO.,
42, Brook Street,
London W1Y 2BS.
Ref: CSL. Tel: 01-629 9511.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 3rd day of February 1978

APPOINTMENTS

COMPANY NOTICES

INTERNATIONAL PACIFIC SECURITIES COMPANY, LIMITED

Shareholders are advised that at the close of business on the 20th January, 1978 the unaudited net asset value of the company was $H.K.164.1 million, based on the market value of its investments on that date. The net asset value per share was $H.K 10.09. The portfolio breakdown was as follows:—

Japan	52%
Hong Kong	24%
Singapore	1%
Cash & Bonds	23%
	100%

By Order of the Board
Jardine Matheson and Co. Ltd.
Secretaries.
Hong Kong.
21st January, 1978

CONTRACTS AND TENDERS

PRE-QUALIFICATION OF CONTRACTORS FOR THE QUEEN ALIA HEART INSTITUTE GOVERNMENT OF JORDAN

1. The Government of the Hashemite Kingdom of Jordan intends to invite bids in April/May, 1978 from pre-qualified contractors for the construction of the Queen Alia Heart Institute in Amman, Jordan. Pre-qualification is open to internationally qualified contractors and firms who have a vast experience in building construction, especially hospitals; or internationally qualified contractors in joint venture with Jordanian contractors classified by the Ministry of Public Work as first class building contractors.

2. The scope of work includes a modern medical heart institute with all electrical and mechanical requirements and fixed equipment of the size of 12,500 square metres or 100 beds with all associated general services.

3. Contractors interested in bidding for this project may obtain the "PRE-QUALIFICATION QUESTIONNAIRE" with the supporting information from the Directorate of the Royal Medical Services, Amman. This form should be completed and submitted in three (3) copies with any other relevant data addressed to:—
The Chairman of the Pre-qualification and Tendering Committee (Queen Alia Heart Institute),
Directorate, Royal Medical Services,
G.H.Q. Jordan Armed Forces,
Amman, Jordan.
This submission should be received not later than 12.00 noon on Saturday, 18th February, 1978.

4. The Government of Jordan will notify contractors who have been pre-qualified to bid for the work and supply them with information regarding the preparation of bids. Reasons for rejection of applicants for pre-qualification will not be given.

Major General
Chairman of Pre-qualification and Tendering Committee
(Dr. Daoud Hanania)

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

Leaks plugged with a bang

WHERE conventional repair welding techniques would be impossible or extremely expensive, for instance on leaking tubes in intricate heat exchangers, ICI and Yorkshire Imperial Metals are jointly offering a service which finds the leaks and then repairs them by means of an explosive plug method.

Physics and Radioisotope Services Group of ICI's Petrochemical Division operates an inspection service. This covers both on and off-line testing for shell tube leaks as well as corrosion tests for heat exchangers.

On-line leakage tests are generally carried out using isotopic methods. Off-line work can employ one of several tracers. These include helium and some chlorinated hydrocarbons.

When a leak has been found, Yimpact section of Yorkshire Imperial Metals moves in with its plugging method which relies on explosive welding. This provides a true metallurgical bond between existing pipe metal and plug metal and that on-site.

First step is to remove surface scale from the tube or tube plate which needs to be repaired. Then a plug containing an explosive charge is introduced in the end of the tube, matched up with the leak and the charge detonated with the result that plug surface and tube surface are permanently welded together.

Hydraulic tests on Yimpact welds have demonstrated that even after thermal cycling to 700 degrees C., the welds can withstand pressures of up to 10,000 psi externally and 35,000 psi internally with no leakage.

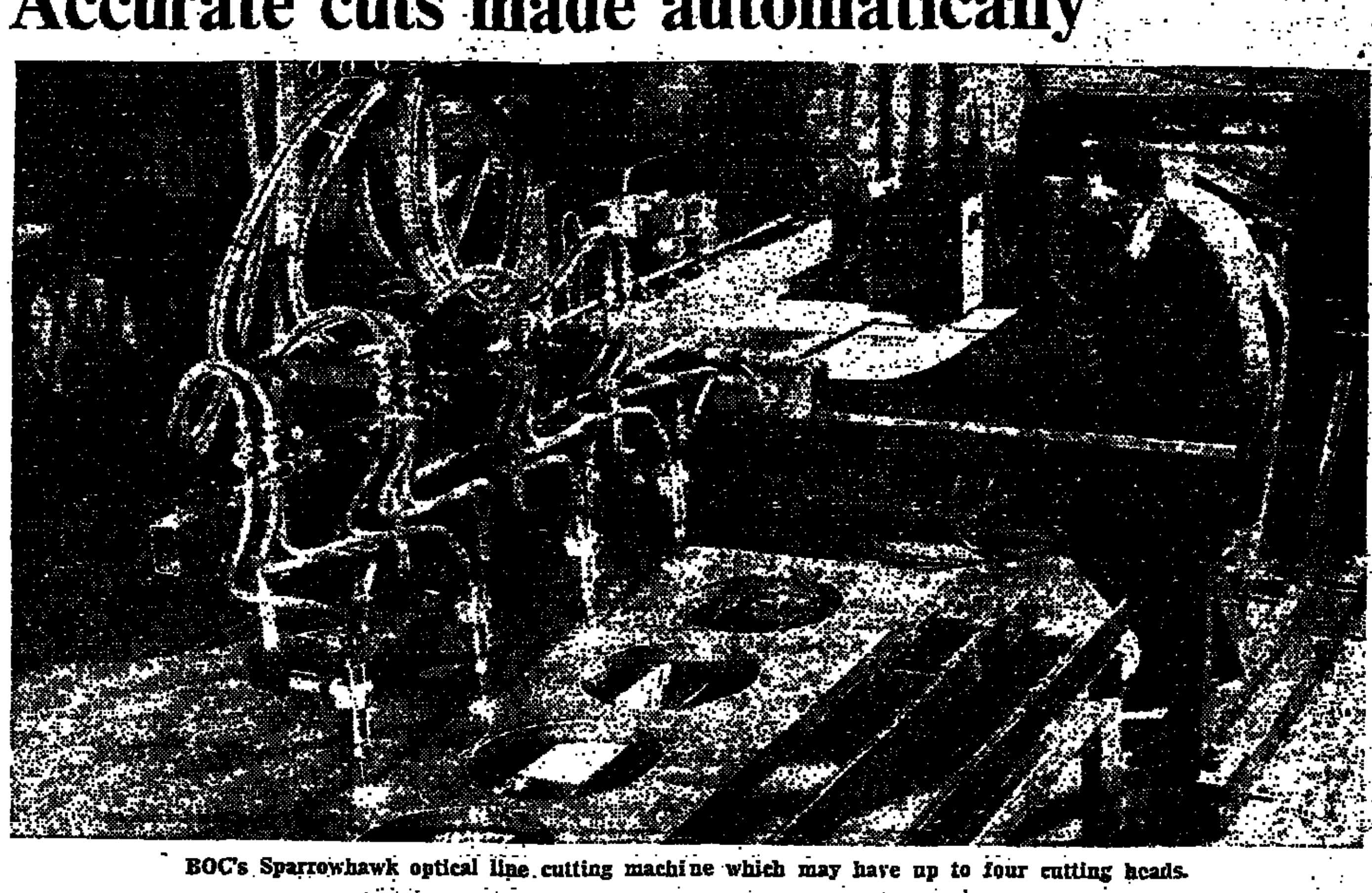
ICI's inspection service can detect leaks as low as rates of 0.01 per cent. and better on-line and down to ten to the minus nine atmosphere cc/second on individual tubes in a 12 feet heat exchanger in off-line testing.

ICI's own equipment is being used in tests for corrosion and can provide advance information as to when heat exchangers need to be replaced. Wall thinnings of as little as 0.2 mm can be detected with ease.

The two types of service are available jointly or separately, as the client may require.

Further information from Yimpact on 061-872 6334 and from ICI (Dr. J. S. Charlton) on 0642 553601.

Accurate cuts made automatically



BOC's Sparrowhawk optical line cutting machine which may have up to four cutting heads.

LOWEST capital cost for a machine of its type is claimed by British Oxygen Company for the Sparrowhawk, a line following, co-ordinate drive cutting machine for the profiling market.

It is intended to appeal to the small to medium operator who needs more production capacity, primarily, but also to the bigger operators who need some standby capacity.

This unit has been designed and built by BOC Cutting Machines. It has a 1.5 metres working width and can have up to four manual cutting heads for high and sustained output.

An optical scanner has been built around solid-state devices and it provides edge of line and silhouette tracing automatically from easily prepared drawings.

Speeds run from 50 to 750 mm. per minute (2-30 inches/min.).

Because of the up-to-date design of the equipment, maintenance has been made much easier and the user himself can hold spare circuit boards for the scanner, power supply and drive and quickly replace a faulty board should there be any malfunction.

Scanner and all co-ordinate drive controls form a single dust-tight unit mounted in front of the operator.

BOC reports that the new equipment provides good cuts of high accuracy and that its direction control switches and overrides make set-up and adjustment of tracing positions very simple. Lead in and lock on to the pattern is automatic.

Fine control of the cutting oxygen is provided for controlled piercing. Longitudinal and transverse machine motions are automatically controlled for fast plate trimming and stripping.

The designers say the machine will provide an advance in profiling technology for those who are now operating radial arm or magnet drive cutting machines.

More from BOC on 01-876 0102.

● AUTOMATION

Counter for many jobs

AUTOMATIC counters developed by the Golden River Company for traffic analysis have been adapted for the digital recording of liquid flow rates. Designed to interface easily with external flow meters, or any device offering an equivalent close contact condition at the inputs, the counters have applications that cover the needs of all the process industries and the water authorities.

Count data on flow over preset periods of time controlled by a quartz crystal timing device is collected on audio-grade C120 tape cassettes, each tape being capable of storing up to ten weeks' data per side.

Retrieval of data is by a plug-in Golden River decoder which can translate the data into digital readout or feed the information into a computer for analysis either directly or on-line via a remote terminal. The decoder's built-in interface complies with CCITT Recommendation V24 and European Standard RS232C, making it compatible with almost any type of computer.

Large-scale integrated circuitry is utilised in the counters, resulting in low initial and maintenance costs, small size and low weight. Power is provided by four 1.5V cells, giving a battery life of up to 12 months. The counter measures 23 by 20 by 31 cm and is constructed of heavy duty ¼ inch cast aluminium to minimise corrosion and ensure complete protection from the elements.

Golden River is a British company which has been in operation for only three years yet can claim the leadership in traffic counting systems because of its success in applying latest available electronic devices, including some microprocessors, for this particular task.

It is the only U.K. maker of such automatic, solid-state equipment and its innovations in methods of capturing and interpreting information on traffic flow—and indeed other processes which can be described in similar mathematical terms—should be of major interest in many industries in Britain and overseas.

Golden River Company, Telford Road, Bicester. 08692 44551.

● COMPUTING

CMG's big expansion

THE £9M. turnover, privately owned bureau and consultancy company CMG Computer Management Group (U.K.) has ordered a further £1.65m. of Burroughs mainframe hardware.

The equipment, a pair of B3800 computers, brings the total of hardware leased by CMG to about £2¼m. and will enable the bureau to further expand its remote batch, on-line and real time processing services. Its operational companies in Scotland and Middlesex will also be linked to the main data centre at Croydon using Burroughs' B771 remote data handling processors.

Prime reason for acquiring the new machines is that CMG is expecting a surge in the demand for remote batch processing, and to a lesser extent for on-line real-time applications. The Burroughs machines were apparently chosen for their ability to handle efficiently both traditional batch, advanced on-line and real time work side by side.

The computers will be installed and will come on line over an 18-month period: by the end of 1979 it is expected to have 100 terminals on line to the big installation at Croydon. CMG is on 01-681 7631.

New desk-top machine

BRIEFLY REPORTED a week ago on Technical Page, a small computing system which makes data processing power available to almost any business enterprise was released yesterday in the U.K. by IBM's General Systems Division.

The IBM 5110 basic model has a purchase price of £6,800 and a typical commercial system will have a purchase price of less than £13,000.

It is essentially a desk-top unit like a big programmable calculator but houses a central process or a typewriter-like keyboard with a 10-key calculator pad and a 1,024-character display screen. Main memory holds 16K, 32K, 48K or 64K bytes depending on the unit selected.

The user can position data anywhere on the CRT and has the option of displaying data in upper/lower case. The display screen also can show information in black on white background or white on black. An adapter allows the attachment of an external black and white television monitor for an enlarged viewing area.

The new computer is available in two models. Offering either magnetic tape or floppy disc storage, the Model 1 can store as much as 1.2m. bytes on a single diskette or 204,000 bytes of information per tape cartridge. The Model 2 allows floppy disc storage only.

Two programming languages used are BASIC and APL. More from IBM on 01-935 6600.

Automated materials bills

DEVELOPMENT of STORE-BOMP, the Drayton James' bill of materials Processor, is being assisted by a second-stage grant from the Department of Industry's software products scheme administered by The National Computing Centre.

Both standard and bespoke Bill of Materials Processors will be offered, the products being written in ANS Cobol. Bespoke versions are possible because STORE-BOMP is designed to link to existing stock files. Thus a bill of materials application can be put up with minimum disturbance to existing applications already using the stock file.

The product provides multi-level and summarised parts lists, kit marshalling lists, where-used lists at single, multi and final assembly levels, and full product cost reports. It has ability to process product variants, always a difficult area in bill of materials processing, and its costing facilities can use standard, current or average costs.

More from Derek Johnson, Drayton James, 6 Warwick Court, London WC1R 5DJ. 01-405 9123.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● ELECTRONICS

Speeded-up assembly

COMPARED with simply inserting electronic components into a board by hand, a location aid offered by Vero Systems of Southampton is able to speed up production by three to five times.

CS-1200 is most effective for small to medium runs (five to 250 boards) where the operator may never have time to properly memorise an insertion routine and the quantity is too small to justify setting up a progressive line.

Main time saving is that the operator does not have to search out the component location using a master diagram. Instead, an image of the component on a roll film program is presented over the printed board in the exact location for insertion.

The component image is projected on to a half silvered mirror so that the operator sees the board and the image at the same time, the latter remaining unobscured by the hands. Components are taken from an indexed bin.

Programming can be economically done in-house using mylar roll film and special program symbols, at a rate of about 100 parts/hour.

Boards up to 20 x 15½ inches can be accommodated, and 200 feet of film.

More on 0703 440611.

● AGRICULTURE

Massey-Ferguson's big new range

MAJOR developments in its world-wide production of tractors over 100 hp are announced to-day by Massey-Ferguson, Toronto.

A completely new range of farm tractors up to 190 power take-off hp is being launched in North America. The MF 2000 series, has a new look and a range of features including optional 24-speed, three-range, shift-on-the-go transmission. The tractors are powered by Perkins six and eight-cylinder engines and will be available in European markets at a future date.

A different family of new Massey - Ferguson tractors, designed and built in Italy, will be launched in some European markets early this year. These will be two and four-wheel drive models of 110 and 132 DIN hp. The new tractors will complement the MF 200 and 500 series two and four-wheel drive models built in France, Italy and the United Kingdom, but there are no plans to sell these models in the U.K.

Another advance, again in the North American market only, at this stage, is Massey-Ferguson's introduction of a new generation of very high horse-power four-wheel drive tractors, designated the MF 4000 series. Two models are being introduced, the 265 hp MF 4840 and the 320 hp MF 4880, powered by a V-8 diesel engine, naturally aspirated and turbocharged respectively.

These two tractors have a completely new electronically-controlled three-point-hitch, available as an option. The new system gives positive position control, full draft control and an infinitely variable intermix of both to allow more precise control of implements under varying field conditions.

Massey-Ferguson is one of the first manufacturers to offer this electronic sensing system on farm tractors.

More from the company on Coventry (0203) 465311.

● SAFETY

Foundry noise hazards

SEVERAL PROCESSES and machines used in the U.K. foundry industry produce a definite noise hazard, according to a report just published by the Health and Safety Executive.

Stressing that excessive noise levels can be reduced, the report lists some basic practical measures. Among those that have already proved effective are: lining a fettling booth with sound absorbent material, enclosing motors, and fitting silencers on dust extraction plant and fans.

Three surveys carried out by the Factory Inspectorate are presented in the report. Two concentrated on the number of foundrymen exposed to high noise levels, and the third covering 12 foundries, examined processes and machines in detail —it gives the best idea available of the degree of risk to hearing in typical foundry processes.

Both ferrous and non-ferrous foundries were studied, and the 12 ranged in size from 10 to 300 work people. They included a variety of processes in core and mould making.

Four machines or processes were found to produce the highest noise levels—knock-out, shake-out vibrating tables, etc.; all types of jolt squeeze machines; sand mixing and hopper vibrating; and forced draught furnaces.

Other processes are not likely to be hazardous, says the report, but dressing and fettling operations, although not so carefully studied in the survey, might be expected to be hazardous. It has been found that in many cases the noise of a machine or process affects not only those directly involved but many others as well—out of 749 workers in nine foundries, 501 were exposed, for some part of the day, to noise levels exceeding 90 dBa, which is the present recommended maximum for an eight hour day.

Among the report's recommendations is that where noise levels exceed 90 dBA the areas concerned should be marked and segregated from quieter processes, and ear protectors should be provided for and worn by all those affected.

The report, prepared by a committee whose members are drawn from trade unions, employers' organisations, the Foundry Equipment and Supplies Association, and the Executive, accepts that solutions to the problems of noise are not cheap, but remedial action, especially at the planning stage, should be encouraged.

Copies of the report "Noise in Foundries" (32pp) from HMSO at £1.

● PROCESSES

Petrol from coal

PROCESS technology for the conversion of coal into liquid and gaseous fuels may be significantly changed and improved as a result of using new types of catalysts developed by a chemist of the Weizmann Institute of Science, Rehovot. Dr. Joseph Shabtai is the inventor.

Announcing this, the Institute spokesman said that Dr. Shabtai had developed catalysts which could be useful in the initial stages of coal liquefaction, as well as in the later stages of upgrading the raw coal liquids into conventional fuels, petrol, kerosene, fuel oils, etc.

Research began several years ago at the Institute and continued during Dr. Shabtai's sabbatical as a visiting professor at the University of Utah which, in view of the large local deposits of coal, tar sand and oil shale, has a special interest in the subject. Dr. Shabtai is continuing his work in Israel in co-operation with Utah University.

For Israel, the new technology may have an important application related to possible utilisation of the lignite deposits in the Hula Valley and shale deposits in Southern Israel.

● OFFICE EQUIPMENT

Lightweight copier

SMALLER BUSINESSES with a low-volume requirement of up to 120 copies/month are the intended market for the Model 307 desk-top manual copier launched by 3M U.K.

Copying documents up to 14 inches by 8½ inches, it needs no liquids chemicals or powders. The unit measures 16½ inches by 12½ inches by 5½ inches and weighs 19 lbs.

More from the maker at P.O Box 1, Bracknell, Berks., RG12 1JU (0344 26726).

IN BRIEF

● Intended for smoothing the output of mains rectifier circuits is the 105 series of electrolytic capacitors from Mullard. They have a 400V dc rating at 60 deg. C, are able to handle high ripple currents, have a low hf impedance and are available in values from 220 to 1000 microfarads (E6 series). 01-580 6633.

● Pye can supply light emitting diodes in black plastic packages for logic state and fault indication, manufactured by Dialight. The 550 series for example offers a choice of green, yellow or red diodes, 0.185 ins. in dameter, in a package measuring 0.25 x 0.25 — 0.36 ins. 0223 58985.

● Offered by Techmation is a high resolution 14-bit hybrid multiplying digital-to-analogue converter made by ILC Data Device Corporation. Called the DAC-U, it has a linearity of 0.0125 per cent, with a settling time of less than 20 microseconds. 01-955 3111.

PARLIAMENT AND POLITICS

mport menu upsets Peyton

HILIP RAWSTORNE

tE A thought for the
an taxpayer!" Mr. John
's cry in pursuit of a
cent. devaluation of the
pound" yesterday
sounded like an election
g call.

John Silkin, Minister of
lture, smiled in tolerant
ment at the chase.

he scent of a Commons
, the Opposition seemed
e lost sight of possible
al price. But if the
ean taxpayers' £1m.-a-
ontribution to keeping
Britain's food costs was
a mention, the plight of
farmers was worth a
pause.

beef, Danish bacon,
n butter and Dutch cheese—Mr. Peyton stood in briefly silent contemplation of the country's imported menu.

It left a bitter taste, he grimaced. And with British farmers cutting their production in response, it was in danger of causing some economic ills. That was his message. Or that, at least, is what it appeared to be.

The Common Agricultural Policy has evolved a sixth official EEC language which, as Mr. Peyton said, does not lend itself easily to light conversation.

Mr. Silkin's response suffered from the same disadvantages of language. EEC documents R/2501/77 and R/2651/77 suggested there could be some benefits in applying the EUA to the CAP, he said darkly. "But I have to tell the House that it is already clear that there is very little prospect of either the EUA or automaticity being agreed."

No wonder Mr. Silkin does not get a salary for his job, in spite of the fact that no one, as he said, knows better than he the difficulties of an unfairly high level of MCAs.

But having set his face firmly against an "all Ireland green pound," Mr. Silkin finally resumed in English. The devaluation suggested by the Opposition would be of doubtful benefit to large parts of the farming industry, but its effects on consumers would be brutal, he said.

He was not prepared to encourage the production of food and positively discourage its consumption at the same time, Mr. Silkin declared stoutly.

The Government's proposals for a 5 per cent. devaluation would give help where it was most needed without raising food prices by more than a penny in the pound.

The Tories had had their "opportunist fling," he said. "Let them now get out of the way and enable us to carry out the real strategy of radical change that is so urgently required."

But the Liberals, complaining of farming's natural hazards, remained an obstruction.

ilkin dismisses Tory charge n level of 'green pound'

OHN HUNT, PARLIAMENTARY CORRESPONDENT

OVERNMENT had been
of fraud in maintaining
en pound at an artificially
level and refusing to
it earlier, Mr. John
Conservative agricul-
pokesman alleged in the
ns last night.

made his attack as the
debated a Conservative
calling on the Govern-
devalue the green pound
per cent. instead of the 5
it announced by Mr. John
Minister of Agriculture,
ek.

Peyton argued that the
ment had badly let down
kestock producers because
fusal to devalue earlier
llowed European meat
s into Britain at artificially
ices.

Mr Silkin was unrepentant
the Government's record
dismissed the Tory
uvre as a "short-term
unist" motion. He main-
that he had to balance the
o encourage the producer
he necessity for giving the
food at prices it could

is absurd to make too
a devaluation of the green
now. You might well over-
the mark and the only
will be the consumer,"
ilkin declared.

he gave a hint that the
was not closed on a sugges-
y the Liberals for a further
tion in the green pound,
d in gradually at a later

stressed that the Govern-
5 per cent. devaluation
ot exclude the Liberal call
10 per cent. phased-in
ion. But any such devalua-
must be as selective as
le and must not whittle
benefits to livestock pro-
by putting up their costs

that is the case, factors like
ge in the calculations of
would be more effective
a further green pound
ation," the Minister added
nd therefore proposed to the European Commission that the 5 per cent. devaluation should apply immediately only to the livestock section. All the other sectors would wait until the start of their normal marketing year. In the case of cereals, this would mean a postponement of devaluation until August 1.

"This gives us the necessary time to keep the whole position under review until the late summer, well within the 12 months' period suggested by the Liberal Party," he declared.

Mr. Silkin estimated that the 5 per cent. devaluation, phased in the way he had proposed, represented an increase of 1 per cent. on food prices in 12 months' time.

"A large devaluation is of doubtful benefit to large parts of the agricultural industry. Its effects on the consumer would be brutal," he said.

There were shouts of support from the Labour benches as he went on: "I am not prepared to agree to such a large increase in the price of food that—while production of food is encouraged—its consumption is positively discouraged. Is that not exactly what is wrong with the present workings of the Common Agricultural Policy?"

Mr. Silkin made it clear that he would continue to advocate a dual system of support, with


Mr. John Silkin

premiums rather than intervention alone. We had to act now if we were to avoid a massive takeover by foreign interests of the two basic British sectors, beef and pigmeat. He also rejected any suggestion that there should be an all-Ireland green pound.

From the Opposition front bench, Mr. Peyton said: "It is our complaint to-day that the Government has lamentably failed to give the producer and some of the processors the proper return. The European producer has really been the chief beneficiary of all this. He has been given a perfectly splendid armchair ride into our markets."

This had led to a £1bn. increase in our food imports last year. The Germans had been able to sell 50,000 tonnes of butter in Britain at cheaper prices than prevailed in Germany. Irish beef imports into the U.K. had doubled in value in 1977, and Danish bacon had increased its market share from 43 per cent. to 48 per cent.

The result had been a reversal of the normal position. Importers, with strong currencies, had been protected, and those with weak currencies had been exposed.

"This has been brought about by the Minister's own failure to recognise the facts. The European taxpayer has been paying quite a substantial contribution to our food costs—over £1m. a day.

"How does the Minister reconcile this mendicant attitude with recent boasts about the new economic strength of this country?" Mr. Peyton asked.

Howells sets out Liberal demand

Liberal spokesman on agriculture, Mr. Geraint Howells, left no doubt that the hint from Mr. Silkin about the possibility of further devaluation along the lines suggested by the Liberals did not go far enough to satisfy him.

He declared: "We wish to see a devaluation of the green pound by 10 per cent. within the next 12 months

"Unless we get firm promises from the Government that such a devaluation can be achieved, with a definite date fixed—and there seems to be no sign of that at present—we can do no more than oppose the Government to-day on this vital matter.

"We owe it to the agriculture industry, and, in the long term, to the British consumer," Mr. Howells said.

Farmers, he added, felt that they had been treated unjustly. The green pound kept prices artificially low and had permitted unfair competition from heavily subsidised industries in other countries.

In real terms, there had been a 15 per cent. fall in farmers' real incomes between 1976 and 1977, resulting in the lowest remuneration since the early 1970s. Beef and pig breeding herds were declining. Producers were in danger of bankruptcy and were selling their stocks.

Mr. Howells agreed that if the green pound were devalued by 10 per cent., as the Liberals wanted, the cost of food would go up by 2p in the pound. Nevertheless, he thought that the EEC social fund could be used to alleviate this, giving aid to those on fixed incomes, such as pensioners.

ITICAL WAR ON THE CAMPUS

imes change for young Tories

RUPERT CORNWELL

STRANGE enough, if you
political appearances to
with well-tried cl ches to
Conservative Central Office
d the person you have
o see wearing jeans and
pled sweater, even if he
l of the Tory students'
ation

atmosphere becomes more
erting still when the
never stops ringing and
include Sir Keith Joseph,
to fix up details of a
g engagement, and any
of MPs and party
ies, arranging this and
ng that

he office of David Wilks,
n of the Federation of
vative Students could not
a better indication of the
rmation which has taken
n the youthful reaches of
ory party. The public
is still of the sherry-and-
set, addicted to Hunt
nd jolly pranks. In fact,
S—and, to a lesser extent
oung Conservatives—are
political war in earnest,
e not doing badly at all.
eal was set on the change
he Morning Star gravely
in 1977 that the federa-
ow plans to launch an
ical offensive to win
s, not only politically, but
cally and theoretically."
fensive is already on and
produced striking results.
gures alone make impres-
ading. From the low point
, when the party lost two
l elections, membership of
CS has quintupled to
Its pamphlets proclaim
e largest student political
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dents, long written off as
fit only for Left wing
sing. To-day, the federa-
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600-odd delegates to its
conference, where it is
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ruling "Broad Left"
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s and Marxists.
ervative Associations at
sities and colleges have
led from 50 to 104 in just
years.

To a certain extent, the success is a measure of the improvement in Tory fortunes since 1974. The ideological struggle is running the party's way, and Labour looks peculiarly bankrupt of new thinking for all the ponderous speechifying in defence of social democracy by some of its would-be leaders.

The student Left, moreover, has played into Conservative hands by its internal feuding and drift to extremes. Wilks and Chris Gent, the Young Conservative chairman, see Margaret Thatcher rarely but regularly: it is hard to imagine the Prime Minister asking Andy Bevan to pop round to discuss policy.

But there is more to the campaign than the wearying spectacle of new activists out to force back old ones. Perhaps the most disturbing statistic for the Conservatives in 1974 was that they were supported by less than one in ten of first-time voters—conjuring up the vision, or rather nightmare, of a party steadily ageing in its South-east heartlands, and of Labour entrenching itself, as Harold Wilson liked to claim, as the natural party of Government. For this reason, it was vital for the Tories to turn the tide, and if the FCS and the YCs have helped do so, by making Conservatism intellectually more appealing to the young, then they have already done the party an enormous service.

Wilks himself remembers the old days. "We used to be just a lot of university dining clubs. A couple of MPs in pinstripe suits would come down, make a quick speech, and everyone would then retreat to an expensive restaurant for the serious part of the evening."

To-day, shadow Cabinet members are constantly on the campus, not least Sir Keith, whose provocative, if sometimes ill-considered style, is ideal for a student audience. The fruits have quickly emerged. Wilks claims that student bodies in half the British universities are controlled by the Conservatives, and, most encouraging, "every one of them north of the Watford Gap."

As interesting as the renaissance has been the reaction it has produced in various quarters of the Tory party. The problem has been harder for the YC, whose membership is now up to around 27,000, because of a powerful identification with Heathite policies and the former leader himself, on whose behalf they lobbied furiously before the election, which produced Mrs. Thatcher to succeed him.

Old suspicions linger, more so of the Praetorian guard surrounding Mrs. Thatcher, than of the new leader herself. Tensions will certainly diminish, though, if the rumoured reconciliation with Mr. Heath becomes fact. The divisions also are likely to be blurred by the arrival of Mr. Gerry Wade, a leading YC in his day, at the head of the Tory Reform Group. His professionalism will see that there are no more of the group's onslaughts against Josephism in the run-up to an election.

The FCS, however, is a broader church. All shades of Tory opinion are there—from far Right liberal/libertarianism to the interventionist Left.

"We do have strong debate about what the party's policy should be," Wilks says. "It's a pity really that this isn't encouraged by the leadership."

It is, above all, the old-fashioned Right of the party that both bodies rub up the wrong way: the kind that reads the Daily Telegraph and believes that the young should know their place.

The sight of Conservatives mixing it with the Left at its own game does not please this school, while Mr. Nicholas Winterton, MP for Macclesfield, fired off an indignant letter to Mrs. Thatcher protesting that there was "virtually no difference between FCS policies and those of the Communists," and that £12,000 of party funds had been squandered on NUS activities. Wilkes refutes this last figures, arguing that in 1977-78 NUS outlays will have amounted to only £500.

But probably the most serious friction with the party establishment arises on race relations, immigration, and southern Africa. Both the federation and the YCs have been unhappy at what they see as the party's half-hearted stand against the National Front. It was their violent reaction which forced the party chairman, Lord Thorneycroft, to think twice and allow a Conservative representative on the newly formed Joint Committee against Racialism.

Invariably, it is at party conference that argument surfaces most fiercely. Last year, the YCs angered the imperialist old guard by setting up a meeting for Zimbabwe's Bishop Muzorewa and then sent forth one of their number to the platform to describe Mr. Ian Smith as a murderer. On Europe, too, their views are more federalist and idealist than the party leadership

What matters most of course is the next election. How many extra votes the Tories will gain thanks to the YCs and the federation is questionable. But a handful of votes could tip a marginal, and the value of spreading the Tory gospel beyond normal frontiers needs no emphasising.

Rebate share protest

AN M.P. CLAIMED yesterday that some local authorities which paid telephone rental charges for disabled people, were claiming a share of the Post Office's £7 rebate for telephone subscribers.

Mr. Max Madden (Lab., Sowerby) said that in his own constituency, the local authority was "proposing to take the whole bonus." He called on the Government to take action so that a "fair agreement with disabled telephone subscribers" could be reached.

Mr. Leslie Huckfield, Industry Under Secretary, said he appreciated there was "concern" about the actions of some local authorities and promised to investigate the matter.

Chrysler funds 'will not be extended'

By Arthur Smith,

CONFIRMATION that the Government will not extend its financial commitment to Chrysler U.K. was given by Mr. Eric Varley, Industry Secretary, to the Commons yesterday.

The Government agreed to meet half of any losses up to a total of £20m. in 1977, but Chrysler is expected to produce a deficit approaching £22m.

Mr. Kenneth Clarke, a Conservative spokesman for industry, demanded an assurance that there would be "no question of any more public money being found for the company in excess of the existing agreement."

It was the responsibility of management and workers to make Chrysler competitive, he said.

Mr. Varley replied: "I can give that assurance."

Mr. Douglas Henderson (SNP. Aberdeenshire E) said there was consternation at the Scottish Chrysler plant at Linwood that the new 1979 model was to be built at Coventry.

In December, 1975, Mr. Varley had given a direct undertaking to the Commons that it would be built at Linwood. On that basis, the SNP had voted for aid to Chrysler, he added.

Mr. Varley replied: "I understand that the model policy of Chrysler U.K. is being discussed with officials of my department. The proposal has not been put to me but I hope to be able to say something about it in due course."

● The Department of Industry has monitored Chrysler operations closely. The decision to locate the proposed new model at Ryton, Coventry, rather than Linwood, follows an appraisal of Chrysler's European marketing policy.

The new vehicle will be a front-wheel drive car based on the successful Alpine model. Linwood is equipped to produce rear-wheel drive models but its poor productivity and industrial relations record must raise questions about its long-term future.

Leyland plea by Varley

By Ivor Owen, Parliamentary Staff

BRITISH LEYLAND'S workforce was urged to cut down on strikes by Mr. Eric Varley, Industry Secretary, in the Commons yesterday when he strongly underlined the need for the company to increase its share of the U.K. car market.

At the same time, he rejected criticism of Mr. Michael Edwardes, British Leyland chairman, whose ability to win support from the shop floor was questioned by Mr. Ian Mikardo (Lab., Bethnal Green and Bow).

After referring to the fact that Mr. Edwardes was on a relatively short secondment to British Leyland from another company and, therefore, personally secure in any event, Mr. Mikardo asked how he could be expected to get full co-operation from management and workers whose jobs he was putting at risk.

"Does not this critically difficult task demand a man of longer and deeper commitment?" he demanded.

Mr. Varley replied that he had publicly supported the appointment of Mr. Edwardes—a move which had also been supported by the entire National Enterprise Board, including the four senior trade union leaders among its members.

He declared: "The best way of securing jobs is to ensure that there is continuity of performance and continuity of production. That is what Mr. Edwardes wants to achieve as, I believe, does the vast majority of those who work in British Leyland."

Mr. Michael Grylls (C. Surrey NW) called on the Minister to make it clear that his support for Mr. Edwardes would continue when "the going got tough" and there were proposals for redundancies and plant closures.

Reaffirming that he wanted to see British Leyland become a successful company, Mr. Varley said he wished to support those in the company, including the chairman, who were seeking to achieve this objective.

Tory 'race campaign' attacked

CONSERVATIVES were yesterday accused by Mr. Dennis Canavan (Lab., West Stirlingshire) of mounting a campaign to "bash the immigrant."

Gesturing towards jeering Opposition MPs, Mr. Canavan declared: "The Tories do nothing to help racial harmony by defending people like Judge McKinnon, by refusing to take part in an all-party committee on racialism, and mounting their immigrant, like the National Front."

Mr. Sam Silkin, Attorney General, replied that he had assured the Racial Equality Commission chairman, Mr. David Lane, that he would continue with firm enforcement of anti-incitement laws.

The Tories should answer for their own polices, he added.

LABOUR NEWS

Row costs Reveille week's publication

BY PAULINE CLARK, LABOUR STAFF

FLEET STREET'S first major venture into newspaper technology got off to an ominous start last night with the loss of this week's entire publication of the Mirror Group's Reveille magazine because of a production dispute.

Mr. Les Dixon, president of the National Graphical Association, was "hopeful" yesterday that a solution to the printers' demarcation dispute would be found before noon to-day in time to save next week's edition.

This week's production of about 550,000 copies was to be the first of the group's titles to be produced by a new photo-composition method and industrial troubles at this stage have raised fears of further problems, as new technology is expanded to other Mirror publications.

Meanwhile, the situation is being watched with concern by the rest of Fleet Street as other major newspaper groups contemplate similar changes in technology.

As negotiations between union representatives and management continued yesterday, union leaders urged a return to normal working pending a solution to the dispute—if necessary through arbitration.

The dispute between management, NGA members and members of the National Society of Operative Printers, Graphical and Media Personnel is seen as an example of the industrial problems that were feared would arise from the introduction of new technology in Fleet Street.

The row affects mainly compositors in the NGA who claim the right to collate copy for proof-reading against management instructions that the work is more approriate for NATSOPA members.

Compositors in the NGA argue that they have always handled hot metal in the past and that they should handle the new computer-produced material as a continuation of previous practice.

Union leaders feel that the problem could have been foreseen and that it would not have emerged at such a critical time had there been sufficient consultation between management and their own printers.

Mirror Group management pointed out that joint negotiations had been going on for two years and that NGA members had known about the change some months ahead.

The new system has cost the Mirror Group about £2.5m. to instal and the change is to be applied to Sporting Life, the Sunday People, the Sunday Mirror and Daily Mirror later this year.

In November and December, the group lost 52m. copies and about £3m. profit because of industrial action by journalists over a pay claim based on new technology.

Callaghan 'still backs industrial democracy'

BY OUR LABOUR EDITOR

GOVERNMENT plans to introduce in the Budget tax concessions for employees' profit-sharing did not supersede its commitment to industrial democracy, the Prime Minister told TUC leaders yesterday.

Ministers asked the unions to recognise that the minority Government's dependence on the pact with the Liberals compelled them to bring forward this Liberal-backed measure.

The TUC said Mr. Callaghan agreed that the momentum behind industrial democracy in the wake of the Bullock Report must be maintained, and endorsed the TUC demand for the right of workers to Board representation and for prior discussion of corporate strategies.

Although a White Paper on industrial democracy covering both these demands is expected in about a month at the earliest, it was confirmed that there could be no legislaion in the present session of Parliament.

The TUC leaders, meeting Ministers and Labour MPs in the TUC-Labour Party Liaison Committee, have been angered by the apparent downgrading of industrial democracy in the face of the need to maintain Liberal Party support.

To-day the TUC will meet Mr. Healey, Chancellor of the Exchequer, to discuss its request for a £3bn. budgetary reflation, £2bn. of which it wants to take the form of a reduced rate of income tax of 25 per cent. on the first £1,000 of taxable income.

It will also comment on the public expenditure White Paper.

Incentives rejected at four pits

By Alan Pike, Labour Correspondent

MINERS AT four Yorkshire pits are refusing to implement incentive schemes in spite of endorsement of the productivity principle in an area coalfield ballot.

The decision by men at Armthorpe, South Kirkby, Cadeby and Fryston—was reported to a meeting of the National Union of Mineworkers Yorkshire area council yesterday.

Mr. Arthur Scargill, area president, said afterwards: "These men feel the discrepancies that are going to occur will cause all sorts of problems for them."

He said that if a pit did not wish to implement an incentive scheme it did not have to do so. But he did not know what action, if any, men at the pits concerned proposed to take.

Difficulties

The problem at the four pits—which comes after last week's strike at three other Yorkshire pits by winding men dissatisfied with the share of the new incentive bonus which they will receive—indicates the continuing local difficulties involved in introducing the productivity scheme.

The winding men resumed work yesterday pending talks with the National Coal Board.

Yorkshire area officials are to meet the Board to-day for discussions on how the incentive scheme should be introduced. The union is demanding a common starting date for all pits in the area and difficulties are likely over whether a group of pits which applied for incentive schemes before the area ballot should receive back-dated awards.

The union also will tell the Board at to-day's talks that it wants incentive arrangements reviewed after six months.

Speke peace talks raise hopes of end to deadlock

BY PHILIP BASSETT, LABOUR STAFF

HOPES of an end to the 12-week-old strike by 2,000 car workers at British Leyland's Merseyside plant at Speke grew last night after all-day talks between national trade union officials and shop stewards.

Mr. Grenville Hawley, national automotive secretary of the Transport and General Workers' Union, headed the deputation from London to the secret meeting outside Liverpool.

After the indefinite adjournment of talks with the Advisory, Conciliation and Arbitration Service, both union and company officials were hopeful that the direct approach by major national union officials to representatives of the unofficial Speke strikers would help to break the deadlock.

Moves to make the strike official were understood to be again being considered, but no firm recommendations have yet emerged.

British Leyland, which has lost production of Triumph TR7s worth more than £60m. and has laid off 3,500 men since the strike started, may welcome the stoppage becoming official.

The strikers have not met to test feeling since November 21 and some Leyland officials feel that support for the strike is crumbling.

Meanwhile, six Merseyside housewives will be in London to-day to ask the Prime Minister to intervene and end the dispute. They will hand in a petition to 10 Downing Street signed by hundreds of local Liverpool people.

● The 1,000 press shop workers on an unofficial strike over new productivity and work schedules at Ford's Halewood plant on Merseyside hold another mass meeting to-day.

But the strike, now in its third week, is unlikely to be called off yet, as shop stewards have not met Ford management officials since their meeting last week. Lost production because of the stoppage totals 7,500 Escorts, worth nearly £20m.

AUEW may declare McDermott lockout

FINANCIAL TIMES REPORTER

THE EXECUTIVE of the Amalgamated Union of Engineering Workers may discuss to-day the 14-day dispute at the McDermott (Scotland) Ardersier Platform Construction Yard, where work has halted on three offshore orders.

Deadlock has been reached in the dispute, involving 1,500 workers who say there is a lock-out. They are backed by the local district committee of the union. Management maintains that the yard is open and ready for work.

The dispute arose from failed negotiations last month on management plans to introduce a three-shift system claimed as necessary for the yard's continued operation, and the workers' demand for more pay for three shifts.

Mr. Norman Macdonald, shop stewards' convenor at the yard, said yesterday: "I am very confident that our dispute will be discussed, and that we will secure the backing of the executive to declare it a lockout. I am banking on that to-morrow.

"It would make our action official, and also show that we are willing to return to work on the existing shift pattern until negotiations can be carried out and agreement reached.

"We are willing to go back to work and the company are refusing us the right to work."

McDermotts, denying this, says three-shift working and increased flexibility are necessary if the yard is to maintain its competitiveness in the face of other U.K and European yards for offshore orders.

It has orders for a six-pile wellhead protector jacket for the Dutch company Placid, due to go out in April; a steel jacket for the Brazilian State oil company, Petrobras, for September; and Conoco's steel jacket for the Murchison Field, for May 1979.

Coal Board challenges pay ruling

THE NATIONAL Coal Board yesterday appealed against a Shrewsbury industrial tribunal's ruling that women assistants at Hemheath Colliery canteen should be paid the same as men and get free coal.

It asked the Employment Appeal Tribunal in London to set aside an award made to Mrs. Pearl Sherwin, 47, and Mrs. Edith Spruce, both of Stoke-on-Trent.

The Board says the women are not entitled to parity under the Equal Pay Act with a man doing a similar job at the canteen.

It relies on the fact that men work permanent nights while women work day and evening shifts. It maintains that the pay difference is justified and that there was no sex bias involved.

The Shrewsbury tribunal held that women were entitled to the same basic hourly pay as men, plus the concessionary coal, but that a night work premium in men's pay should be maintained. The appeal was not expected to finish yesterday.

Tyne Metro conversion goes ahead

A MANNING dispute which delayed vital work on the £120m. Tyneside Metro transit system for two weeks ended yesterday.

The decision allowed transport officials to go ahead with the closure of the North Tyne rail line for conversion to electric track for the Metro.

Train drivers had refused to co-operate with the changeover until they were given a guarantee that no jobs would be lost.

Bank employees seek local pay deal rights

BY NICK GARNETT, LABOUR STAFF

MORE THAN 700 members of the National Union of Bank Employees in Jersey and Guernsey have mounted a campaign to win negotiating rights for local pay deals.

The staff, who work in clearing banks and are seeking rises of about 16 per cent., have been told by union leaders that they should be prepared for possible strike action.

Bank employees on the islands want local negotiating arrangements largely because they say they are slipping behind other groups of white-collar workers who are not tied to U.K. pay scales.

The bank union has been pressing for local negotiating rights on the islands since it broke away from national negotiating machinery last year.

Dunlop strike peace talks

THE 700 Dunlop Rubber workers who have been on unofficial strike over a manning dispute, for ten days, will attend a mass meeting in Transport House, Liverpool, this morning. There were indications last night that they might return to work.

The stoppage has halted production of heavy tractor tyres but another 2,000 men are continuing to turn out car tyres and sports equipment.

Hoover staff laid off

MORE THAN 1,000 assembly workers were laid off yesterday at the Hoover washing machine plant at Merthyr, Glamorgan, because of a strike by delivery drivers.

The week-long unofficial dispute over a pay claim has halted supplies to the works, bringing production to a standstill.

The Management Page

EDITED BY CHRISTOPHER LORENZ

Leyland — the unpalatable truth

In contrast to other car manufacturers, Leyland's attempt to become a pan-European company has fizzled out. Its failure, argues GAREL RHYS, has clearly pushed it into the second division of world manufacturers. The question now is whether the £2.8bn. investment envisaged by Ryder will be enough.

IT IS NOT just the recent development of Ford U.K. and British Leyland which provides interesting examples of contrasting styles of management. Leyland has grown, since the days of William Morris, as much by acquisition and merger as by natural expansion. Ford, on the other hand, has been content to move ahead steadily year by year, building on established foundations. Time after time Ford has made up ground on its competition, after Leyland, in

one of its many metamorphoses, has bounded ahead with one of its periodic mergers.

Ford has now caught up with Leyland again. Last year Ford sold about 18,000 more cars in the U.K. than its rival. This is only a decade after it was left trailing behind, with about one sale for every three, by the merger of British Motor Holdings and Leyland. These figures show Ford pursuing a policy of market leadership in Britain backed up by a steady flow of new investment into its component factories, and by further expansion of assembly capacity as Dagenham is reorganised.

In many ways these recent events follow the pattern of Ford's U.K. strategy in the earlier part of this century. The company established production leadership almost as soon as it opened at Manchester in 1911, only to lose it in the early 1920s as Morris, Austin, Singer, and, for a time, Clyno surged ahead.

In the 1930s, however, armed with the most modern car plant in Europe at Dagenham, Ford came back with its "8" and "10" models, plus an ultra competitive policy on price and quality, to a position very close to the top of the league (see Table 1). Now, for the first time since 1922, Ford is again the best-selling make on the British market.

But Ford's main theatre of activity to-day has switched to Europe as a whole. Here again, it is acting very much in accordance with its established style. It has developed a new, extended and highly marketable product range, with a timely move into the small car market. It has built its own new production facility in Spain, raising the funds for this $1bn. venture from its own resources in Europe and the U.S., and embarking on a green field development rather than seeking out acquisition prospects. At the same time it has developed a severely competitive pricing policy and is moving to the forefront of the production ranks. The emergence of the European Community, leading to a Europeanisation of the multinationals' motor business, has seen Ford move from a secondary position in the U.K. and West Germany to one where it can aim for European leadership (see table 2).

These moves have seen Ford replace Renault and Fiat to become the most aggressive car manufacturer in Europe. By contrast, Leyland's push into manufacturing on the Continent seems to have fizzled out. Begun in the 1960s, and pursued by means of two takeovers—in Spain and Italy—and one green field development — in Belgium — this expansion by Leyland has ended in considerable financial grief. The company is left with only one major bridgehead across the Channel at Seneffe, the Belgian plant which it built up rather than acquired. Leyland still retains a minority interest in De Tomaso's Innocenti and supplies car kits for local Mini assembly.

There is little argument that Leyland's bid to become a pan-European manufacturing power should have been a move in the right direction. Indeed, it forced its way into Spain and Italy, two of the markets with the most potential for northern European manufacturers, well ahead of Ford—which is now going in exactly the same direction with its new Fiesta model.

But Leyland's European failure has exposed it to pressures which will be devastatingly difficult to overcome, even without all its other troubles. The company is now facing a range of competitors in Europe all of which have a much broader international base, and some of which have strong trans-Atlantic resources to call upon as well.

Ford is the most obvious example of these companies. The way in which it is now using its engineering resources on both sides of the Atlantic to develop common models can cause no comfort to its European competitors: and its methods are being copied by General Motors and Chrysler: the latter is launching such a transatlantic-style car in France in the near future.

TABLE 1: APPROX.* SHARES OF TOTAL U.K. CAR OUTPUT

	Vauxhall	Standard	Rootes	Ford	Nuffield	Austin	Others	Industry Production ('000)
1929	0.75	3.3	3.0	3.8	34.8	25.3	29.05	182.3
1930	5.1	4.4	4.8	6.1	34.4	32.2	13.00	169.6
1931	4.5	7.5	4.8	2.4	27.4	24.2	29.20	158.9
1932	4.85	11.76	7.4	6.95	34.1	27.2	7.74	171.2
1933	6.2	7.7	7.9	16.4	23.7	25.0	13.1	220.7
1934	7.6	7.5	7.6	13.4	25.6	25.3	13.0	256.8
1935	7.7	6.9	7.4	15.6	29.9	21.6	10.9	311.5
1936	6.0	9.2	8.9	21.2	28.4	22.2	4.1	353.8
1937	7.3	8.7	8.6	20.0	24.8	20.5	10.1	389.6
1938	10.4	9.9	10.2	17.5	23.6	20.4	8.0	342.4
1939	9.7	10.8	10.2	13.8	24.0	22.7	8.8	(304.7)

*Figures are approximate as it is not always clear whether raw data refers to "model year" or "calender year"

TABLE 2
ESTIMATED ANNUAL CAR ASSEMBLY CAPACITY BY 1980

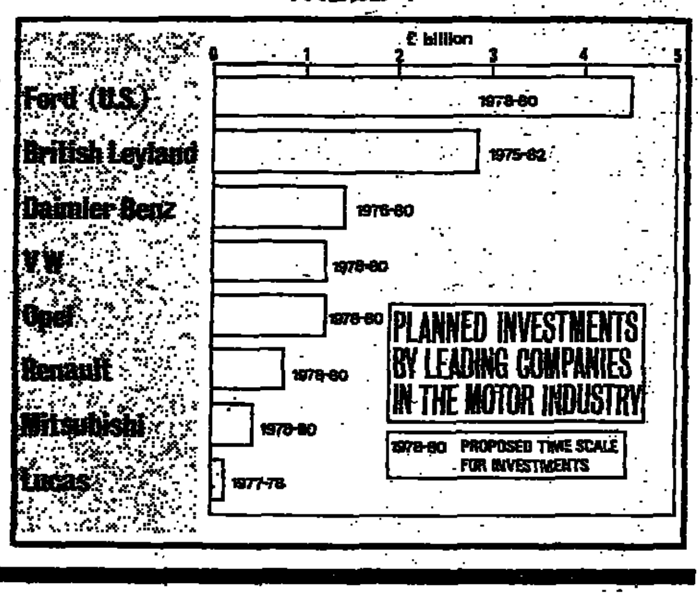
Chrysler	1.0m.
British Leyland	1.2m.
G.M.C.	1.55m.
Renault	1.55m.
Peugeot-Citroen	1.65m.
Ford	1.65m.
Volkswagen	1.80m.
Fiat	1.85m.

TABLE 3

INVESTMENT RECORD (1970-6) OF LEADING MOTOR COMPANIES (£M.)

	1970	1971	1972	1973	1974	1975	1976
GM (Worldwide)	971	645	782	907	1,101	1,107	—
Ford (Worldwide)	446	408	491	641	393	505	—
Chrysler (Worldwide)	177	98	143	271	199	190	—
BL	67	50	42	67	108	92	114
Ford U.K.	68	49	32	42	53	—	—
Vauxhall	21	19	6	13	26	—	—
Chrysler	12	4	3	5	1	—	—
VW	107	107	98	102	327	165	229
Opel	47	61	42	61	68	—	—
Fiat	109	124	114	161	262	264	81
Renault	101	89	86	84	117	226	—

TABLE 4



Within this context, British Leyland becomes a small enterprise. Mr. Michael Edwardes, the new chairman, has apparently accepted the argument, thrashed out during the toolmakers' dispute a year ago, that the company has to remain a broadly-based competitor with a varied range of products, but even so, Leyland now lies clearly in the second division of world manufacturers. Even accepting that it now has a sound model policy, its survival therefore depends to a disturbing extent on its workforce acting responsibly, and on the willingness of the State to continue to provide financial support. The question now, however, is whether the money Leyland was to get under the Ryder plan will be enough.

The original Ryder plan, now being reformulated by Mr. Edwardes, called for £2.8bn., in current prices, to be invested in Leyland between 1975 and 1982—or £1.5bn. deflated to 1975 real terms. This £1.5bn. was rightly regarded as a vast claim on the country's scarce resources, but it is unexceptional in terms of the motor industry (see Table 3). Ford, for example, is investing £500m. in Europe in the 1977-80 period.

Tables 3 and 4 examined together show that Leyland has a great deal of catching up to do, considering its under-investment in new models and equipment in the early 1970s. But the sums mentioned in the Ryder plan for future investment are no more, and often less, than the other European and Japanese mass producers intend to spend.

Not all the Ryder financial provisions were envisaged as being for long-term investment. most of the £200m. equity rights issue subscribed by the State went to pay off debts of one kind or another. Another £200m. was to come from bank overdrafts. Nevertheless, the effect of this was to reduce the funds available for long-term investment to £2.5bn. Of this, Leyland is expected to generate £1.4bn. to £1.5bn. from its own cash flow, with the state providing £1bn. to £1.1bn.

But it would be wrong to envisage that every investment programme during every year would be funded either in the ratio 1.5:1 or even 1:1 by Leyland and the State. During the first years of the rescue, when Leyland's perilous condition was being improved, it was envisaged that it should, as a first objective, generate a cash flow sufficient to cover its working capital needs. The State would then cover most of the long-term projects. Ryder envisaged Leyland generating a total profit of £1.6bn. over the rescue period, with profits in 1981-82 forecast at 11 per cent. of sales or £653m. Thus, according to Ryder, over one-third of the total profit was to be earned in the last year of the rescue—a somewhat sanguine estimate.

Ryder forsaw that during the early 1975-78 period of mainly Government-backed capital investment some £900m. would be injected from external sources into the company's facilities. After 1979, when the company would be providing most of the funds itself, the State was to inject a further £500m. up to 1982. Nevertheless, it is clear that Leyland should have been generating some profits from 1975, and at least sufficient to pay off debt and pay for working capital—working capital needs were estimated at £750m. in the Ryder plan. Consequently the payment of £50m. of state funds in 1977 to cover the wage bill and other current costs, such as raw materials and fuel, can only be seen as a serious divergence from the financial plan and the economics of the original rescue scheme.

The implication of Leyland's decision to spend that last £50m. on current cost needs is obvious. The overall resources dedicated by the Government for capital investment have now been reduced. Therefore, either Leyland's future investment plan must be cut—despite the feeling that it needs such a programme to remain at competitive levels of size and activity—or the State will have to find new money.

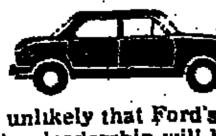
This is the dilemma which now faces Edwardes. He seems already to have accepted the case for keeping Leyland more or less at its present size in terms of its production potential and range of products. He is side-stepping the chimera of concentrating only on Leyland's specialist products — Leyland's specialist division is now as much of a second division enterprise, in world terms, as its volume business — and he is aiming to maintain a range of vehicles in the volume area.

But funding will continue to be a problem following the three years of failure which have seen the original investment plan go awry and the company itself failing to generate the funds which Ryder claimed to be possible, and necessary.

One way of improving prospects would be through a "functional" merger, where many parts and components are either jointly made or bought from a jointly-owned subsidiary, or another manufacturer. Leyland is already working on such projects with Renault, but the history of its merger activities provokes scepticism about its ability to perform. Improvements could also be made by achieving the right manning levels and better productivity, both issues which Edwardes will pursue: Leyland cars, on the basis of its present output and any sound international comparison of productivity, certainly needs to cut 40,000 out of its present workforce of 130,000 if it is to compete.

But the fact remains that if the company is to have any chance of success it will need substantial further funds from the Exchequer and probably more than was envisaged under Ryder. This is the unpalatable fact which Edwardes now has to face. It must be accepted that Leyland's competitive position is far worse than it was in 1968. Between the Mini and the Rover the company does not have a really successful competitor. Consequently the target market penetration of 33 per cent. on which the Ryder profit forecasts were based must now be compared with the 27 per cent. actually achieved in 1976 and the 24 per cent. of 1977.

This performance not only reflects supply difficulties but also and more seriously, a fall in consumer demand for the company's cars. As Leyland will have little new to offer in the mass market for some time



it is unlikely that Ford's present market leadership will be short-lived. Therefore Leyland must shed labour to improve productivity, but even if Leyland's financial fortunes improve as a result they are unlikely to approach the figures envisaged in the Ryder rescue. Leyland is too far off course for that. The lack of an improvement in productivity has meant that at least one quarter of the profits envisaged in the rescue have been put at risk; this reinforces the adverse impact of lower output and market share on the cash flow.

Extra public money or retrenchment are rapidly becoming the only alternatives facing Leyland.

**Mitsubishi plans to become Japan's specialist vehicle manufacturer but with a capacity of 1m. units a year. Daimler-Benz's total European capacity is now around 600,000 units per year, which is double Leyland's capabilities in the specialist car and commercial vehicle area.*

Garel Rhys is lecturer in economics at University College, Cardiff, and was a specialist adviser to the Trade and Industry sub-committee of the Expenditure Comittee for its 1975 Motor Industry Report.

Another brand of decentralisation

ONE OF the curiosities about all the talk of reorganising British Leyland is that Lord Ryder, the architect of the plan which is now being recast, and Mr. Michael Edwardes, the man who is doing the recasting, are both confirmed apostles of decentralisation. Lord Ryder used to preach fervently about pushing down decision-making to the grass roots. Michael Edwardes talks with equal enthusiasm about giving managers jobs they can "get their arms around." Yet for all this unity of purpose, the organisations they have created are very different.

We shall not know the final shape of Edwardes' plans for a few days yet. But the reorganisation of Leyland's London headquarters has given a firm hint of the way he thinks, and it has effectively turned the Ryder plan on its head.

The first thing he has done is to strengthen the London headquarters. Although the overall number of London-based staff is going down, this will not weaken the influence of headquarters. Quite the contrary. Edwardes is creating a new breed of executives at the centre with much more control over policy-making than the London-based managers had before. These men are the three vice-chairmen (two of whom have still to be appointed) who will work very closely with him and who will, in theory, have the time to sit back and consider policy away from the stresses of operational management.

In effect, the creation of these new executive positions in London has meant inserting an extra band of top level management into the organisation.

But it also involves a radical change in the relationship between the centre and the four business groups—cars, truck and bus, special products and international (if there is still an international division when Edwardes is finished).

Under the old structure the link between the divisions and headquarters was provided by the four managing directors of these groups. They sat on the main Leyland Board and were deeply involved in all group policy decisions. By the simple device of reorganising the main Board, Edwardes has packed these four off to their own divisions to concentrate solely on their own businesses.

The new link between these divisions and the centre will be provided by the vice-chairmen, or Edwardes himself, who will sit on the divisional Boards as chairmen. Thus there is a clear split between what might be called the operational management organisations, dealing with day-to-day business, and the more strategic activity at the centre.

In many respects, this management structure is reminiscent of the one employed by General Motors. Alfred Sloan, the architect of GM and perhaps the most influential management thinker—and doer—of the century, put great emphasis on organisation and having enough managers, of the right calibre, to do the job. He also drew a very firm line between what he saw as staff and operational managers. The headquarters staff, working through a web of committees, had responsibility for policy, analysis and monitoring of performance. But it was up to the management in the factories to get on with the job of producing the goods.

As far as one can tell, Edwardes seems to be moving in a similar direction in the cars division, where his present energies are being directed. In the past three months, arguments have raged in this organisation as to how far decentralisation can be taken. But it looks as though he has determined on a split into at least two major ranges, the volume and specialist cars, and that Land-Rover and Range Rover may be divided off as well.

The dealer networks are also likely to be split. Each company will have its own marketing set-up supplying its own franchise, and the vehicles will drop the Leyland name in favour of Austin, Rover and so on.

This leaves a question mark over engineering and finance. But if Edwardes were to follow the GM pattern, these would become central service activities, controlling the present structure in the case of finance, and mapping out the future in the case of engineering.

Some old hands in the Midlands motor industry believe that, whatever he does, his actions are as irrelevant as moving the deckchairs on the stricken Titanic. But it may be as well to remember Sloan's own strictures on these matters. Writing years after he knocked sense into the ramshackle structure which swept the Model T Ford off the roads of America, he had this to say: "I have always believed it is imperative to maintain the distinction between policy and administration. Without that distinction a decentralised organisation would be in constant confusion as to what was decentralised and what was not." Perhaps defining these distinctions is Edwardes' first task, even before he starts on the equally important job of raising productivity.

Terry Dodsworth

هكذا من الأجل

هكذا من الأصل

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He wastes up to 1 man hour in 6.

He wastes about 1 man hour in 1,000.

To avoid any misunderstanding, let us say from the start that it's not the fault of the workers themselves.

It is the fault of inefficient storage and materials handling.

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And every company in the survey was paying more than it need for its storage and materials handling.

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LOMBARD

A new division of labour

BY GEOFFREY OWEN

THERE IS a great deal of talk these days about the new international division of labour and the need for countries like the U.K. to concentrate on "knowledge-intensive" products where there is less danger of competition from the third world. West Germany is often regarded as the model of a country which, partly in response to the appreciation of the currency, has steadily upgraded her manufacturing base to turn out products of higher added value. Japan is moving in the same direction.

Added value

As a general principle, the pursuit of greater technical sophistication, so that the value per ton of our exports can be increased, is hard to fault. But there is a danger of pushing the principle too far. People sometimes ask, for instance, why we should be spending vast sums on new plants to produce crude steel. Wouldn't it be better to buy the steel from countries which are rich in raw materials like iron ore, and concentrate on converting it into finished products of high added-value?

As it happens, companies which have investigated this possibility have concluded that it is simply not on for an industrial country like the U.K. to buy virtually all its crude steel from suppliers like Brazil or Australia. The cost advantages, if they exist at all, are very small; while the technical problems for the customer, who usually wants a particular specification or quality, would be immense.

This is not to say that steel imports from outside Europe will not tend to increase, but as far ahead as anyone can see most of Europe's requirement for steel will be met from European plants. A company like Hoogovens in Holland, though hit hard by the present recession, is quite confident that, as a producer of bulk steel and heavily dependent on exports to the rest of Europe and to the U.S., it will be around for a long time to come. (Hoogovens' wage costs, incidentally, are very much higher than those of British Steel, but its productivity is much closer to Japanese levels.) Only those plants which are internationally competitive will survive, but the new division of labour does not require that the old industrial countries should give up steel-making and transfer the resources to some more glamorous activity.

Just how world competition will affect the location of individual industries is difficult to predict, but the simplistic division between technically advanced products in one group of countries and cheap, mass-produced goods in another will not do. In textiles, for instance, there is no reason in principle why Courtaulds should not establish itself, as it already has to some extent, as a competitive producer of certain high-volume fabrics for the European market. These are commodity products which have to compete on price, but if Courtaulds can make itself as efficient as, say, Burlington Industries in the U.S., it can hold its own. Certainly the countries with low labour costs will enlarge their share of the world market for textiles and clothing, but that does not mean that the whole of the European textile industry has to be written off. Those European companies which pick their markets wisely and organise their production and sales efficiently will continue to make a living.

It is misleading to regard imports from the third world as a special category requiring a special response. With the spread of technology the number of competitors in many industries is increasing (to the benefit of the consumer) and this complicates the task of deciding which sectors to concentrate in. It is not just Taiwan and South Korea that the textile industry has to contend with; men's suits from Sweden, towels from the U.S., and a host of other products from unlikely sources have to be taken into account. The most important fact about the developing countries is that their industrialisation programmes create very great export opportunities for countries like the U.K. If we expect to sell a large steelworks to Brazil, we must be prepared to buy, not just Brazilian shoes, but perhaps in due course Brazilian cars and even Brazilian machine tools.

Adjustment

A two-way trade of this kind is good for employment in both countries and good for world economic growth. As far as governments in the industrial countries are concerned, the challenge is not to identify and nurture those sectors in which, under the new international division of labour, their manufacturers ought to be able to compete. Any selection they make is almost certain to be wrong; it is safer to leave the choice to people who know the market and make their living from it. What matters is to create the conditions in which adjustment to international competition, whether from the third world or from other industrial countries, is encouraged rather than impeded.

Company video networks are catching on

NOT ALL new business ideas successfully cross the Atlantic to Britain, but one which looks like catching on is being taken quite seriously by some British managements. The idea is the company video network—what has been called in the U.S. "private television communications." In essence it means equipping branch offices with a videocassette machine and TV set on which are screened copies of regular programmes despatched from head office.

A number of companies in Britain already operate internal video networks—such as IBM, BP and Barclays Bank—but mostly they are relatively small affairs based on the strategic location of a videocassette player within a region or local area rather than in every office.

In the U.S., it is already big business: this is confirmed by the publication there of a quite weighty survey on the subject, the Brush Report (available in Britain from Nord Media). Companies in the U.S. with over 100 locations equipped with video include Merrill Lynch, Prudential, Texas Instruments, Arthur Anderson, Du Pont and Standard Oil. Many of these extend into very large networks, such as Ford, which originally supplied 5,000 dealers with subsidised Sony U-Matic machines, now being replaced with the new Sony Betamax.

In the case of Ford a principal use for the network is as a sales aid, but car manufacturers also employ their networks for salesman training and even service instruction. Training is the real driving force behind the spreading popularity of video, and Barclays Bank in Britain exemplifies the importance attached to this. At a British Industrial and Scientific Film Association seminar in London last week, delegates saw extracts from Barclays' video training tapes using Shaw Taylor in a Police 5 style security programme, and Esther Rantzen and team from *That's Life* in a customer relations programme. All excellent stuff with important content, well presented and fun to watch.

Companies have been using film for years to do similar jobs. What has changed now is the scale of operations. In the first place, the company training film was regarded as something of a luxury, and if one per year was made, a company was quite active. The distribution of training films within a company was also a haphazard affair, with only a few notable exceptions like the National Coal Board, which has not only had a film network for years, but has also pioneered the mobile TV show.

Now that training is respectable — indeed, a top priority — the advantages of the video network have been eagerly grabbed. Early users are confirming that these advantages include the ease with which employees can be reached compared with film shows. The latter are, necessarily, a somewhat formal business — marshalling the troops into a darkened canteen and halting production or arousing resentment. But one videocassette machine feeding into a few strategically placed TV sets can enable employees to watch programmes on site.

FILM AND VIDEO
BY JOHN CHITTOCK

As an example of this, another speaker at last week's seminar explained how British Rail Engineering is taking safety video programmes to the shop floor, screening short items to groups of workers, causing only a minimum of interruption. These programmes are usually made locally, on the spot, so that employees will recognise familiar faces, especially anyone talking to camera explaining, say, how he lost a finger. The impact is considerable, and as proof of this, the accident rate at BR's Derby works declined from a stable 2.5 per 100,000 man-hours to 0.09 within three months of such a presentation (unfortunately, the figures drift up again if the exercise is not repeated regularly).

When a network exists it becomes an encouragement to keep the workforce informed especially on matters of sudden importance precipitated by political or economic events. The classic example of this, a few years ago, was BP's crash project to put Sir Eric Drake in front of the TV cameras to talk about the effects that the oil crisis would have on employees. Now organisations like the Electricity Council even present employees with the annual report in a video programme.

Until now, expansion of video network has been rather slow in the U.K. Cost has been one cause of delay, but perhaps the climate was never quite as ready for it as now; with participation, communication and training becoming key topics for everyone.

It may turn out that the delay has been fortuitous, because the new generation of videocassette machines with their two hours per cassette running time may well render previous machines obsolete. Certainly the new Japanese versions are smaller and more compact, which should appeal to many offices.

For any company installing a video network, a fundamental question that has to be answered is: how are the programmes going to be originated? The costs of programme production are high, especially if handled by outside commercial companies. Yet internally-made programmes can reduce the operation to absurdity if they are not well-produced.

One attempt to solve the cost dilemma is to originate programmes on videotape rather than film, which seems logical anyway if the distribution is to be on video. Yet video is not always a cheaper medium, especially if outside location shooting is required. It is also perfectly possible to use film as the master material and have it transferred to videocassette copies. The choice of medium is not easy, and should be based on various considerations such as speed of production, capital investment, type of programme needed (for example talking heads or an international tour of the company) and availability of proven talent within the firm.

Some bad decisions have already been made by a few British organisations, more frequently through rushing into expensive video equipment when it would have been cheaper (and better) to employ outside resources. But video has come to stay as an internal communications tool, and the U.K. video industry is eagerly looking forward to 1978 as a year for big equipment orders from new business users.

Donald Woods named Editor of the Year by Granada TV

MR. DONALD WOODS, Editor of the Daily Despatch, East London, who escaped from house arrest in South Africa, was named as Editor of the Year at Granada Television's What the Papers Say awards in London yesterday.

Mr. Charles Raw, Sunday Times, was Investigative Journalist of the Year for his Crown Agents inquiry and Mr. Laurie Manifold, Sunday People, took the Major Expose of the Year award for police porn squad stories.

The Daily Telegraph was Newspaper of the Year and Mr. Frank Johnson, Daily Telegraph, Parliamentary sketch-writer of the Year.

Mr. David Steel, the Liberal Leader, speaking at the ceremony complained that politics were too often presented as a personalised confrontation by the Press. Although there was frequent confrontation in politics, an unadulterated diet of "Jim lays it on the line" or "Battling Maggie in Commons storm" was "rather rich for the blood."

"It creates a Cup Final mentality about politics and about elections in particular. And the sporting metaphor is very persuasive.

"It reinforces the idea that there are only two parties to any political development, winners and losers.

"This country is at root more united than Cup Final political reporting gives credit for. It is also more diverse and pluralist.

"It is time that political news and comments reflected that we have a new ball game going now.

"We shall have a General Election before long. It is quite likely, and in my view highly desirable, that the election will result in no overall majority for Tory or Labour. How will that be anticipated and reported in the Press?

"A draw? Extra time required? There has been astonishingly little Press analysis of what is likely to happen, or opinion on what should happen, all because it upsets the traditional mould in which politics and political reporting had been set like concrete for the last 30 years."

Woman presenter for Money Programme

MOIRA BREMNER, a journalist and former actress, is to join BBC's The Money Programme on Friday.

A 37-year-old mother of three, she will make her debut after winning a place on the programme's team of reporters and presenters from more than 700 applicants.

After the BBC introduced their new presenters yesterday, she said she had been interested in finance since she was a young girl.

"I became first interested in stocks and shares when I was about five years old, and my grandmother used to read passages about money from the Financial Times."

She trained as an actress, took up modelling, later started in business designing and making clothes for boutiques, then became a teacher, and eventually moved into journalism in 1974. She wrote regularly for The Sunday Times from 1976, mostly in the Business News, and at the same time began broadcasting for the BBC's external services and on current affairs and magazine programmes on BBC radio.

Young Pakistan players excite in drawn Test series

KARACHI, Jan. 23.

THE THIRD TEST Match moved uneventfully to a draw at the national stadium here to-day, bringing the sequence of drawn games between the two countries in Pakistan to 11 since Dexter's side won the first in Lahore in 1961-62. England batted through the day and were 222 for 5 at the end, 207 runs ahead. In the end, England emerged from the series with some relief for Pakistan had rather the better of all three Tests and much the most exciting aspect of the series was the performance of their new young players.

The England party fly on early to-morrow morning to Auckland via Singapore for the start of their tour of New Zealand which ends with the Third Test match on March 9.

This is, therefore, the half-way stage of a tour which has so far proved disappointing for England. The inexperienced players who came to Pakistan in the hope that some would establish themselves in the places left vacant by Greig, Knott, Underwood and Woolmer, have on the whole made little impact.

There have been two useful gains for England. In the first Test at Lahore Miller made 98 not out and showed that he has the ability to score useful runs in Test cricket. As yet he lacks more than anything the mental toughness which is demanded by cricket. He allows situations to get on top of him too easily and he is not prepared to try to assert himself when he should.

Edmonds' bowling in the Third Test was the other gain for England. For a long time, Edmonds has been an enigma, having an enormous amount of natural ability, without quite the determination to produce the results.

In Pakistan, Ken Barrington, the manager, has done a great deal to help Edmonds. He has tried to impress upon him the need to follow through more when he bowls and the importance of concentration.

By the end of the Pakistan tour, Edmonds had made great strides.

CRICKET
BY HENRY CALTHORPE

The batting has been the main worry. Apart from Boycott and to a lesser extent Brearley it has been sadly lacking in experience and expertise. I shall be surprised if Rose makes anything more than an occasional Test cricketer for he has too many basic faults while if Roope is ever to score runs consistently for England it will not be on the Indian sub-continent.

Brearley's broken arm could hardly have come at a more unfortunate time with four Test matches still to be played. In the last year or two he has developed into a useful opening batsman and his captaincy has been excellent. A tour of Pakistan is not easy for English cricketers and Brearley had done a wonderful job both on and off the field where his patience had been one of his main virtues.

Meanwhile, on the last day here, Boycott and Randall reached painstaking 50s, and Randall threw away the chance to score the century his confidence so badly needs. Gatting was so surprised to receive a full toss from Asee Qasim that he lifted his head and was LBW. Miller played forward to one from Qasim which turned and was caught behind. It was left to Roope and Taylor to play out the game which mercifully ended an hour early.

All the irritations and frustrations of cricket in Pakistan were present on this last day. The pitch was slow beyond redemption and stroke-play was impossible. Wasim Bari, an extremely negative captain kept his fast bowlers on all morning to prevent England scoring enough runs to make any sort of declaration. One section of the small growd was ungovernably noisy and began to tear the fencing apart and throw anything it could lay its hands on into the ground. The umpires started two sessions five minutes late and drink intervals lasted interminably. On this last day it did not matter. But it all served to show why it is so incredibly difficult to get a result in test matches in Pakistan.

Time to back bottom weights

WITH THE ground riding as soft as it now is I believe it pays backers to give particular attention to those horses near the foot of the handicap. There should be a well above average proportion of winners from this sector, which often produces long-priced successes.

One in the category who seems certain to take a good deal of beating is Tempest Girl, who runs at Worcester this afternoon.

RACING
BY DOMINIC WIGAN

This tough Caliban mare, who ended her 1976-77 season by beating Staryllis Girl and Tarot in a 30-runner hurdle at Worcester, ran her best race to date this term last time out at Cheltenham. There, she kept on well to finish third behind Hipparion and Saturday's winner, Needcombe, in the two miles Northleach Hurdle on ground faster than she really likes.

With what seems certain to be extremely testing underfoot conditions for this afternoon's Astwood Hurdle, and a little further to travel, Tempest Girl could repay each-way support at attractive odds. I take her to win at the main expense of another near the foot of the handicap, the possibly underrated Reliance II horse Case Study.

Although Diamond Head, Joe Kelly and Beige Prince have all come out of the Foregate Novice Chase, the three-mile event is far from lacking in interest, with Fred Rimell's locally trained Kings or Better and the Behistoun gelding, Sanskrit, trying to concede a stone to William Penn.

Judged on his encouraging third-placed effort behind Strombolus and Peter Scott at Cheltenham last time out, William Penn should be about to realise his undoubted chasing potential and to-day may be the time to row in with him.

Whatever his fate with Kings or Better, Rimell should not leave his local course empty-handed for Royal Thrust is likely to take advantage of the 30 lbs he receives from the Queen Mother's 11-year-old Isle of Man in the Lowesmoor Chase.

WORCESTER
1.30—Cheeko*
2.00—William Penn***
2.30—Tempest Girl**
3.00—Royal Thrust
3.30—Tenspir
4.00—Jack Madness

SEDGEFIELD
12.45—Weather All
1.15—Whitsuncelli
1.45—Bold Warrior
2.45—Limpopo

Top prices at Irish country auction

A PORTRAIT by Joseph Wright, of Derby, of Francis and Charles Mundy (right) sold for £68,000 (plus the 10 per cent. buyer's premium) at a Christie's house sale in Ireland yesterday.

Not only was it the highest ever auction price for the artist (beating the £20,000 paid at Sothebys in 1973), it was also the highest price for any picture bought at an Irish sale.

The picture was bought by the London dealer Artemis: in 1965 it had sold at Christie's for £3,570. It was the top price in the two-day sale at Charleville, Eniskerry, Co. Wicklow, the home of Mr. and Mrs. Donald Davies.

SALEROOM
BY ANTONY THORNCROFT

Apart from the contents, the house built in the late 18th century, was also up for auction, and it went to a Louisiana oil tycoon for £800,000.

The morning session of furniture brought in £86,853. A set of six mahogany dining chairs, in the style of Robert Manwaring, went to a London dealer for £7,200.

Two similar George III giltwood overmantles in the style of Matthias Lock sold to the London dealer Mr. M. Foster for £6,000, and the same dealer acquired a pair of Irish giltwood pier glasses of around 1760 for £5,500.

The London dealers Glaisher and Nash paid £5,400 for a set of eight George III mahogany side-chairs while a George III giltwood overmantle realised £2,800.

TV/Radio

BBC 1

† Indicates programme in black and white.

9.10 a.m. For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Ragtime. 2.00 You and Me. 2.14 For Schools, Colleges. 3.20 Pobol Y Cwm. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Wally Gator. 4.25 Jackanory. 4.40 Animal Magic. 5.05 John Craven's Newsround. 5.10 Star Turn.
5.40 News (London South-East only).
5.55 Nationwide.
6.20 Nationwide Goes North.
6.50 One More Time! (London and South-East only).
7.20 The Oregon Trail.
8.10 The Battle of the Atlantic: The U-boat peril in World War II.
9.00 News.
9.25 Play For Today.
11.10 Tonight.
11.45 The Engineers.
12.10 a.m. Weather, Regional News.

All Regions as BBC-1 except at the following times:—

Wales—2.32-2.37 p.m. For Schools: Tablau (3) Tabl Pedwar. 5.55-6.20 Wales Today. 6.50 Heddiw. 7.15 Pobol y Cwm (senod) pennod 17. 7.45-8.10 Ask The Family. 12.10 a.m. News and weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 12.10 a.m. News and weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 6.50-7.20 Here's How. 12.10 a.m. News and weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 6.50-7.20 East (Norwich) In a Country Churchyard; Midlands (Birmingham) Summer Diversions; North (Leeds) Young Music Makers; North East (Newcastle) Box Clever; North West (Manchester) A Good Sing by local choirs; South (Southampton) Hey Look . . . That's Me!; South West (Plymouth) Peninsula; West (Bristol) The Yate Experience.

BBC 2

11.00 a.m. Play School (as BBC-1 3.55 p.m.).
2.15 Other People's Children.
†3.00 Film as Evidence.
3.30 The Living City.
7.00 News on 2 Headlines.
†7.05 Propaganda with Facts.
7.30 Newsday.
8.10 ProCelebrity Golf.
9.00 Spike Milligan in Q7.
9.30 Revolution at the Mirror: The story of a negotiation between a print union and a newspaper management.
11.00 In the Looking Glass.
11.30 Late News on 2.
11.40 The Old Grey Whistle Test.

LONDON

9.30 a.m. Schools Programme. 11.55 Felix the Cat. 12.00 The Wotsit from Whizz-Bang. 12.10 p.m. Daisy, Daisy. 12.30 Kitchen Garden. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 The Stars Look Down. 3.20 Mr. and Mrs. 3.50 Couples. 4.20 Get It Together. 4.45 Magpie. 5.15 Sportscene.
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 Dave Allen.
7.30 The Streets of San Francisco.
8.30 Rising Damp.
9.00 Wilde Alliance.
10.00 News.
10.30 Burns.
11.30 Quincy.
12.25 a.m. Close: Leonard Pearcey reads a poem by Hilaire Belloc.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 3.20 The Electric Theatre Show. 5.15 Emmerdale Farm. 6.00 About Anglia. 7.30 Movin' On. 11.30 The Prisoner. 12.30 a.m. Christians in Action.

ATV

1.20 p.m. ATV Newsdesk. 3.20 The Electric Theatre Show. 5.15 Mediterranean Venture. 6.00 ATV Today. 7.00 Emmerdale Farm. 7.30 Dave Allen. 8.00 Charlie's Angels. 11.30 Gibbsville.

BORDER

†1.20 p.m. Border News. 2.00 Houseparty. 3.20 Friends of Man: Guide Dogs for the Blind. 5.15 Indoor League. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 7.30 Dave Allen. 8.00 Charlie's Angels. 11.30 Baretta. †12.25 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 5.15 The Flintstones. 6.00 Report at Six. 7.00 Treasure Hunt. 8.30 Dave Allen. 10.28 Channel Late News. 11.30 West Side Medical. 12.25 a.m. Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.25 a.m. First Thing. 1.20 p.m. Grampian News Headlines. 3.45 Cartoon Time. 5.15 Wings 'n' Things. 6.00 Grampian Today. 6.10 Out of Town. 7.30 Thingummyjig. 11.30 Reflections. 11.35 Police Woman.

GRANADA

1.20 p.m. This Is Your Right. 5.10 This Is Your Right (second chance to see to-day's lunchtime programme). 5.15 Crossroads. 6.00 Granada Reports. 6.30 Emmerdale Farm. 11.30 Play the Game. 12.00 Wait Till Your Father Gets Home.

HTV

1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 3.20 The Electric Theatre Show. 5.15 Sinbad Junior. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm. 7.30 The Bionic Woman. 8.30 Cuckoo in the Nest. 11.30 Executive Suite.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.20 Miri Mawr. 4.30-4.45 Seren Wib. 6.00-6.15 Y Dydd. 10.30 Bywyd. 11.30-12.25 a.m. Burns.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

1.25 p.m. News and Road Report. 3.20 Mr. and Mrs. 5.15 Professor Kitzel. 5.20 Crossroads. 6.00 Scotland Today. 6.30 What's Your Problem? 7.00 Emmerdale Farm. 7.30 Dave Allen. 8.00 Thingummyjig. 11.30 Late Call. 11.35 Rush.

SOUTHERN

1.20 p.m. Southern News. 2.00 Houseparty. 3.20 Survival. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day including Southsport. 7.00 Emmerdale Farm. 7.30 Dave Allen. 8.00 Charlie's Angels. 11.30 Southern News Extra. 11.40 The Practice.

TYNE TEES

9.20 a.m. The Good Word followed by North East News Headlines. 1.20 p.m. North East News and Lookaround. 3.20 The Odd Couple. 5.15 Friends of Man. 6.00 Northern Life. 7.00 Emmerdale Farm. 7.30 Dave Allen. 8.00 Charlie's Angels. 11.30 The Collaborators. 12.30 a.m. Epilogue.

ULSTER

1.20 p.m. Lunchtime. 4.18 Ulster News Headlines. 5.15 Friends of Man. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 7.00 Emmerdale Farm. 7.30 Dave Allen. 8.00 Charlie's Angels. 11.30 Pro-Celebrity Snooker, followed by Bedtime.

WESTWARD

12.27 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 3.20 Wish You Were Here. 5.15 The Flintstones. 6.00 Westward Diary. 7.00 Treasure Hunt. 8.30 Dave Allen. 10.28 Westward Late News. 11.30 Westside Medical. 12.25 a.m. Faith for Life.

YORKSHIRE

1.20 p.m. Calendar News. 3.20 Houseparty. 5.15 Indoor League. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 7.30 Dave Allen. 8.00 Charlie's Angels. 11.30 Police Woman.

RADIO 1 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Peter Powell with this week's new Top 30 discs, including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.00 Folk 78 (S) (joins Radio 2). 9.02 As VHF. 10.02 John Peel (S). 12.00-12.05 a.m. As Radio 2.

VHF Radios 1 and 2—6.00 a.m. With Radio 2, including 1.55 p.m. Good Listening. 8.02 Hubert Gregg at the London theatre. 9.02 Among Your Souvenirs (S). 9.55 Sports Desk. 10.02 With Radio 1. 12.00-12.05 a.m. With Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. 6.02 Ray Moore with The Early Show (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Folk 78 presents The Spinners in Concert (S). 7.30 On the Third Beat (S). 8.02 Sport on 2 Special: Boxing, Football. 10.02 Beat the Record. 10.30 Johnny Morris says Be My Guest. 11.02 Brian Matthew with The Late Show. 12.00-12.05 a.m. News.

RADIO 3 464m, Stereo & VHF

6.55 a.m. Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Brahms (S). 9.50 Academy of the BBC, part 1 (S). 10.45 In Short (talk). 10.50 Academy of the BBC, part 2 (S). 11.30 Plainsong and the Rise of European Music (S). 12.15 p.m. Midday Concert, part 1: Haydn, Debussy, Schoenberg. 1.00 News. 1.05 The Arts Worldwide. 1.20 Midday Concert, part 2: Schumann. 2.05 Beethoven from Bristol (S). 3.00 A Little Light Music (S). 4.00 The Vaughan Williams Symphonies (S). 5.15 Jazz Today. 5.45 Homeward Bound (S). 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: Work and Training. 7.30 Music in Question (S). 8.00 Live from the Royal Festival Hall, part 1: Balakirev, Liszt (S). 8.35 A Self-Portrait. 8.55 Live from the Royal Festival Hall, part 2: Tchaikovsky (S). 9.50 Fernando Pessao (selected poems). 10.20 Holst on record (S). 10.30 Haydn and Beethoven: piano recital (S). 11.25 News. 11.30-11.35 And Tonight's Schubert Song (S).

RADIO 4

434m, 330m, 285m and VHF
‡ Medium Wave only

6.15 a.m. News. 6.17 Farming Today. 6.35 Up to the Hour. 6.52 (VHF) Regional News. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued). 7.52 (VHF) Regional News. 8.00 News. 8.10 Today including news headlines, weather, papers, sport. 8.45 Yesterday in Parliament. 9.00 News. 19.05 Tuesday Call. ‡10.00 News. ‡10.05 Round Europe Quiz. 10.30 Daily Service. ‡10.45 Morning Story. ‡11.00 News. ‡11.05 Thirty-Minute Theatre. ‡11.35 Through African Eyes. 12.00 News. 12.02 p.m. You and Yours. 12.20 Desert Island Discs. ‡12.55 Weather. programme news VHF (except London and SE) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour (from 2.00) including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 The Pickwick Papers (S). 4.00 News. 4.05 Gardeners' Question Time. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity (S). 15.55 Weather, programme news (VHF) Regional News. 6.00 News including Financial Report. 6.30 The Burkiss Way. 7.00 News. 7.05 The Archers. 7.20 Time for Verse. 7.30 Kaleidoscope. 8.00 Live from the Royal Festival Hall (S) (as Radio 3). 9.59 Weather. 10.00 The World Tonight. 10.30 The Enthusiasts. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 News.

For Schools (VHF only) 9.05 a.m.-12.00 and 2.00-3.00 p.m.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 News Extra. 9.30 London Live. 11.03 In Town. 12.03 p.m. Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 In Town (as 11.03 a.m.). 8.30 All That Jazz. 10.03 Late Night London. 12.00-Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

5.00 a.m. Morning Music. 6.00 A.M.: with non-stop news, travel, sport, reviews, information. 10.00 Brian Hayes. 1.00 p.m. LBC Reports including George Gale's 3 O'Clock Call. 8.00 After 8—with Ian Gilchrist. 9.00-1.00 a.m. Nightline.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash with Cash on Delivery (S). 3.00 p.m. Roger Scott with his Three O'Clock Thrill (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Jonathan King (S). 11.00 Tony Myatt's Late Show (S). 2.00 a.m. Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,575

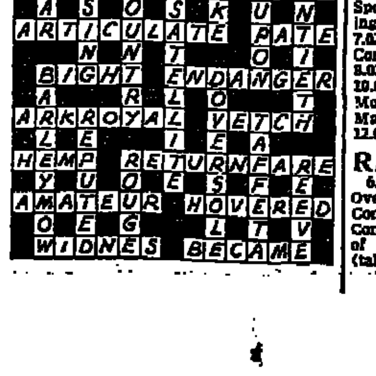
ACROSS

1 Character in 29 requiring warm underwear before liver upset (4, 4, 6)
10 Turn a corner with German soldiers (5)
11 Informing on person about three (9)
12 Well-bred but could be improved (7)
13 Encourage chief intellectual (7)
14 Call out "All right, the woman's outside" (5)
16 Unhappily putting sailor in niggardly surroundings (9)
19 Notes involving Roman dame (9)
20 Sucker taking shelter in front of church (5)
22 Bird that is going to the south in ditches (7)
25 Hide from pig's family (3-4)
27 Coster's barrow when upset creates confusion (5-4)
28 A flower came into view (5)
29 Wealth is real estate or 1's destination (S. 6)

DOWN

2 In need of practice, being absent from school (3, 2, 4)
3 Collect what's left but start getting skinny (5)
4 Dumb mason could be official complaints investigator (9)
5 Chemical part of solution I treated (5)
6 Beginning in August on mountains (9)
7 There's nothing in immorality to give utterance to (5)
8 Dress lazily but strictly (7)
9 Issue from Oriental combine (6)
15 Queues with listeners outside creating prematurity (9)
17 Food dished up past eight (9)
18 Crush feathers for analysis (5-4)
19 One who travels finds motorway a gift (7)
21 Stop the progress of deer and hesitate (6)
23 Fall from the faith but get left in part of church (5)
24 One step or half step on gas (5)
26 Rang up learner to growl (5)

SOLUTION TO PUZZLE No. 3,574



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FINANCIAL TIMES SURVEY

Tuesday January 24 1978

Builders of Britain

Many distinguished names are to be found in the roll of Britain's construction companies, but their presence has not prevented the industry from experiencing severe recession. The question now is how much recovery the future will bring.

Struggle to regain past heights

By Michael Cassell, Building Correspondent

ER THE toughest five s that most people within U.K. construction industry remember, there are now s that 1978 could herald start of a slow revival coin- g with the 100th anniver- of the National Federation uilding Trades Employers. -one is daring to suggest anything approaching a r upturn in domestic con- tion work generally is nd the corner. But there indications which at least est that there will soon be ance to put a stop to the alling numbers of unem- ed workers and bankrupt ing companies which have acterised the worst reces- since the war.

eflection

he slump, which has spread affect every sector of the ding market, from housing k to civil engineering, is a reflection of the state of the nomy generally. The con- ction industry, however, is lute in its belief that it has n the victim of indiscrimi- e and damaging reductions expenditure by a Govern- nt whose sole priority, for ime, was the brutal pruning public spending, whatever consequences.

The lists of statistics waved out by the industry's leaders prove their point make pressing reading; total con- uction output down by at least 25 per cent. since 1973; civil engineering activity at home soon running 40 per cent. lower than three years ago; over 200,000 construction workers without jobs—as many as 300,000 when those in ancillary trades are taken into account.

The industry is not so naive as to believe that it alone could hope to be isolated from the effects of a sick economy. It is also aware that, on a longer term basis, the U.K. market will not necessarily be able to sustain the same levels of expenditure on construction and civil engineering which were maintained in the post-war years of economic growth and population increase.

But at the same time the construction sector believes that the Government, since the oil crisis of 1973, has taken the easy option of falling back on the construction sector as an economic regulator, forcing it to bear a wholly disproportionate burden of the inevitable spending cuts.

There is no doubt that the industry has suffered a severe blow, though not a mortal one as some recent statements might well have implied. An estimated £1.4bn. of planned public sector construction work was, in fact, at one stage removed from the industry's books in little over a year, representing a massive amputation from an industry whose total output in the U.K. during 1977 will have been around the £13bn. mark.

During 1977 itself, construction output is estimated to have fallen by about 10 per cent., continuing the decline which set in at the end of 1973. The housing market has been among the major victims, with private housing starts tottering towards 130,000 in 1977 against 150,000 the year before.

In short, last year was likely to have been one of the worst years for private housing output in the past decade. All the indications are that the industry, battling against rising costs, stagnant prices and narrow margins, is settling into a pattern of 140,000-150,000 houses a year against 200,000 or more a few years ago. This trend, however, cannot be exclusively attributed to short-term market difficulties and it is clear that changes in the housing market's make-up could mean the housebuilders will have to lower their sights on a more permanent basis.

In the public housing sector, the outlook remains poor and here again longer term targets for housing output will in future have to take account of the changing nature of demand. Public housing starts in 1977 fell by nearly 40,000 to 133,000 compared with the previous year and lower figures are on the way.

All the indications are that a further substantial fall is due in the current year. Figures for local authority housing approvals were recently looking serious enough for Mr. Reg. Freeson, Minister of Housing and Construction, to warn that the already severely depleted council housing programme was deteriorating further.

The Government had budgeted for about 90,000 approvals during 1977-78 against 100,000 in the previous 12 months. The Minister said that, largely because Conservative-controlled councils were refusing to sanction expenditure, actual approvals could be down to 75,000 in the current year.

Elsewhere, the gloomy pattern has been repeated, with the roads programme reduced to tick-over pace and the Government—the major client—cutting down on orders throughout the spectrum of construction and civil engineering work. With investment at a low level and, until very recently, little optimism for the future, the private commercial and industrial sector has provided small relief from the ravages of the recession.

It is inevitably to overseas markets that the contractors have continued to look for their business. For many, it has simply demanded an extension of their existing foreign operations, for others it has meant forced excursions into new territory in order to keep alive. The results have been mixed, with announcements of major contracts vying for space with declarations of mammoth losses. To be fair, the spectacular flops so far actually announced have been rare, but few contractors believe anything other than the fact that to win and carry out work overseas is a demanding task. To make money out of it is even harder.

But despite the problems, the overseas effort has been immense, with British contractors winning an estimated £1.7bn. worth of business in foreign markets during the year 1976-1977. This represented an increase of nearly £400m. on the previous year and the current 12 months is expected to show similar progress.

But perhaps a far more interesting and significant development within the industry, arising out of its recent hard times, has been the gradual development in recent months of a combined approach to its problems.

Never before have Government Ministers, including the Prime Minister, been confronted with deputations claiming to speak on behalf of the whole industry. Representatives of the contractors, architects, building material producers and other component parts of the industry combined together to confront the Government and say plainly that its policies were endangering the future of the industry.

The gesture was not without its pay-off. The construction industry at the end of 1977 became a major beneficiary of the Government's decision to make amends for some of the swingeing cuts made at the height of the economic crisis. With £400m. of work handed back to them in the forthcoming financial year and with £181m. in the following 12 months—quite apart from anything contained in the next Budget—the industry perhaps felt that its combined lobbying effort had been at least partially effective.

For its part, the Government hopes that the united approach will become a matter of form and that the recent moves do not merely represent a strategy to be adopted only when more orders are wanted.

Ministers believe that the new alliance could provide not only the mouthpiece for Government-industry talks but turn its attentions inwards and study ways of improving the construction sector's patchy track record in terms of organisation and efficiency.

Whether it likes it or not, the Government seems set to face almost immediately the combined anger of a newly-unified industry over proposals which could lead to at least a part of it being brought under State control.

Sufficient

The most provisional of proposals from the Labour Party's National Executive Council, involving the extension of public ownership into the contracting and material producing sectors, have been sufficient for the industry as a whole to prepare itself for a fight. Strengthened by the belief that it fought a successful campaign to stop the spread of direct labour organisations — actually temporarily thwarted by the knife-edge Parliamentary situation—the industry believes that it must snare the nationalisation hare before it bounds away. Ministers believe that on this subject the industry is verging on paranoia and that its future would be safeguarded rather than undermined by many of the proposals contained in the NEC document.

Expansion in economy brings some cheer

THE ECONOMIC outlook for the construction industry is for once slightly brighter. The improvement should not be exaggerated but for almost the first time since the oil price rise of 1973-74 and the start of the recession the main economic influences on building activity are favourable.

For a start, after 18 months of negligible growth, the economy is expected to expand this year—by 3½ per cent. in real terms with the hope that this can be sustained in 1979. Within the total, both private and public sector investment are projected to recover from their earlier very low levels. Private housing starts should also rise in view of the further increase in advances by building societies. But the prospects are much less encouraging in the public housing sector where a substantial downturn is expected.

Overall, the recent forecasts by the Building and Civil Engineering Economic Development Committee point to a 2 per cent. upturn in new construction output this year, and a 3 per cent. improvement in 1979 following a 10 per cent. decline in 1977. So it is likely to be some time before the construction industry is back to anywhere near the level of activity of the early 1970s.

The public spending cuts of 1975-76, and their subsequent only partial restoration, explain some of the story, as is discussed below. But private sector demand for construction work is also well down on earlier in the decade, and is likely to continue to be so. The sluggish level of economic activity, ample spare capacity in many industries and low rates of return have all provided a very unfavourable background for investment.

Speculative

In addition, the collapse of the property boom has removed a major source of demand for speculative schemes and there have been very many fewer of the massive city centre rebuilding projects which provided such a boost to the industry in the past.

One problem is also that building work tends to lag behind spending on plant and machinery in the investment cycle. For example, investment in plant and machinery by the manufacturing, distributive and service industries had already started to pick up last year. In the first nine months, spending was 8½ per cent. higher in real terms compared with the quarterly average for 1976. In contrast, fixed investment by these sectors in building work was still declining and was 12 per cent. down on the same basis—even though the 1976 level was 28 per cent. lower than in 1974.

There were, however, signs that spending on new building was levelling out during the third quarter and it should pick up from now onwards. The overall investment total is also expected to improve further this year. The most recent investment intentions survey indicated a further downgrading in the projected growth in spending by manufacturing industry and a slight upgrading in the estimated increase in investment by distributive and service industries. (Spending by the latter is slightly larger in total than that by manufacturing.)

The survey projected a rise in the volume of manufacturing investment of between 10 and 13 per cent. between 1977 and 1978 and the Department of Industry noted that there may be "a slightly greater increase in investment in new building work than in plant, machinery and vehicles in 1978 but this is unlikely to raise the share of new building work in the total to even its 1976 level." An increase of between 6 and 8 per cent. in the volume of investment by the distributive and service industries this year is shown by the survey, with a further, but smaller rise in 1979.

The Building and Civil Engineering EDC estimated that the recovery in investment should result in a 10 per cent. rise in the output of the private industrial sector in 1978 with a 7 per cent. increase in 1979. A rather smaller rise is foreseen for private commercial work—up 4 per cent. this year but 8 per cent. up in 1979—in view of the modest pick-up in office building.

The public sector is the other major influence on U.K. construction activity and the prospects here are also slightly brighter. The annual Government Expenditure White Paper published earlier this month confirmed that over the past year a total of about £440m. had been added to existing construction plans for the financial year starting in April. However, this represents only a partial restoration of the large cuts made during 1976 in capital spending plans affecting construction.

Consequently, the latest expenditure plans show that capital investment by both central and local Government is likely to remain at a much lower level than in the early 1970s. An exact indication has not yet been given of the path of public spending on construction during the 1970s but the overall level of fixed capital formation will serve as a proxy to indicate the trend.

Gross fixed capital formation is projected to rise by nearly 5 per cent. in real terms in the next financial year by comparison with the large underspending in 1977-78. But the level of overall capital spending in 1978-79 and the following years is about 23 per cent. lower than the average between 1973-74 and 1975-76. The full impact is shown by the detailed figures with a drop of nearly 30 per cent. in local authority fixed investment on the same comparison. The cutbacks at the local level are particularly marked for roads, housing, education and other environmental services.

Spending

The spending White Paper itself points out that most of the public expenditure on fixed investment is on construction work. "The extra spending on construction announced during 1977 means that a steady level of direct public spending on construction in the next four years is now planned, at about £4½bn. a year. In addition, there are Government grants and lending help to finance other construction work, for example, by the nationalised industries and housing associations. If construction expenditure by these bodies is included, the total planned level of public spending on construction rises to some £6½bn. in 1978-79 and continues at a similar level through to 1981-82."

However, as the Building and Civil Engineering EDC pointed out before the publication of the White Paper (though when the main plans were known), "the average yearly output for the public sector, excluding housebuilding, in the next two years is likely to be 28 per cent. lower than the average for the years 1970-76, a matter of great concern to the committee."

The committee said the recently announced additions to programmes would benefit health, personal services and education relatively more than roads, and would only have a marginal effect on the decline anticipated in water and sewerage. It is estimated that the earlier cutbacks will result in a further decline in public sector non-housing output this year—down 3 per cent. compared with 1977 before a rise of 2 per cent. in 1979.

Peter Riddell
Economics Correspondent

Land shortage reaches crisis point

ONE OF the major problems to have confronted the construction industry for the last 25 years has been land availability and the industry itself now believes that the situation is at crisis point.

Contractors, especially in the house building sector but in other areas of construction as well, say that the problem has not been resolved despite many and varied attempts by Government—the Community Land Act being no exception—and that there remains a shortage of land available for development in the right place at the right time.

Both sectors face the same problems. Development land for commercial and industrial projects is now scarce and the property industry is primarily concerned in guarding against the overheating which occurred in 1972-73. Well located sites are being actively sought by developers, institutions and industrialists, with most land sales in the south-east at least now being sold by tender a rare method of disposal over the last three or four years.

The industrial development procedure and the often rigid attitudes of planning departments in the local authorities towards industrial and warehousing development have recently been relaxed according to some observers but these controls still result in lengthy delays before new space can actually be provided.

On average, the waiting period for processing planning applications is now put at three months, with considerably longer periods reported by some developers.

The mixed estate with a balance of warehousing and industrial users is now becoming more acceptable although substantial problems are still being encountered in establishing the percentage of warehousing space to be permitted on any industrial estate. Most authorities are atempting to restrict this element even though this action can result in some land not being fully developed or existing buildings remaining empty. The developers point out, however, that to-day the employment potential of a warehouse user can be almost as great as for an industrial user and that development should not be stifled on these grounds.

Complication

Like the house builders, the property developers have a great deal to say about Development Land Tax. They see it as a further complication to the development process and claim that a scheme originally envisaged to curb the activities of unproductive speculators now seems rather inappropriate when all efforts are being made to create employment and increase U.K. industrial capacity.

The outlook for property development looks fairly bright, despite all the problems. The last poll of business indicators in the property sector conducted by the Royal Institution of Chartered Surveyors in conjunction with the Financial Times confirmed the steady recovery in confidence which has now looked on its way for some time.

The evidence is clear, however, that in many parts of the country land shortages are already restricting development activity. In East Anglia, the South West and the Midlands shortages are being reported and many developers have complained that local authorities' unwillingness to release land for smaller private industrial schemes is making it impossible for firms to find modern accommodation.

As for housing, the land supply situation has so far been tempered by the relatively low level of output, but there are fears that contractors would be hard pressed to meet any significant upturn in private housing demand.

According to the house builders, shortages have become increasingly serious since the start of 1977. The industry cites several reasons for the impending crisis, not the least of which is—they claim—a chaotic planning system and legislation which levy penal taxation rates on people selling land to developers.

Like the commercial and industrial developers, they say that the problem of planning delays has become overwhelming and the time it takes to being a new site to the development stage is now double what it was five years ago.

The housebuilders want to see the complete reform and streamlining of the present development control system.

The system, they claim, creates excessive and costly delays as a result of the absence of clear priorities for planning strategy, by its increasingly detailed and unnecessary involvement in minor matters that should not and cannot be the concern of planners.

The builders want a clear statement in the Town and Country Planning Act to the effect that there is a presumption in favour of development, that is, that planning permission should be granted unless there is a "sound and clear cut reason" for refusal. The onus would therefore lie on the authority to show that proposed development is not acceptable rather than on the applicant to show that it is.

Minor matters, say the house builders, should be taken out of planning and strong sanctions should be used against local authorities causing delays and adding unnecessary costs by issuing refusals which are eventually found to be vexatious or frivolous. Many of the proposals are not original—witness the ill-fated Dobry report—but builders insist that reform along these lines is necessary before the planning system aids rather than hinders development of all types.

As for the immediate problems, the industry says that the critical shortage of suitable land is set to come to a head in the next 18 months—a prediction with which the Department of the Environment does not agree.

The DoE says its own surveys show that stocks of land held by private house developers are now equivalent to three times the current rate of annual housing starts, and that there has been no dramatic change in the size of the pool of land with planning permission over the past 18 months.

The builders say they simply do not believe the official figures, and certainly some of the largest housing developers have stated publicly that their land banks, which used once to represent a ten year building programme, are now down to minimum levels. Much of the land available, they point out, is unsuitable because of its location or because of a lack of infrastructure services.

A major gripe among all the developers is the dreaded DLT

CONTINUED ON NEXT PAGE

Rising costs still a major headache

TAKES no more than a ce at an index of construc- costs over the past few s to see why builders con- e to top the bankruptcy .

uilding material and wage s have more than doubled he last three years. And this explosion occurred at a time n house prices trailed the eral inflation rate, and when ining demand for both lic and private sector new ding made it impossible for ders to pass on the full ct of higher costs in higher ler prices.

oth material and wage cost eases have now slowed n. But for smaller builders slower pace of cost increases ely extends the agony of un- nomic tendering in a market le aggressively competitive the lack of new building nand.

)ne deeply worrying excep- n to the slow-down in costs the recent movement in lding land prices. Land ues have been dropping since 1973, and the decline in costs has provided a more portant cushion against other t increases than pared profit rgins. Now, as the effects the Community Land Act and velopment Land Tax begin to felt, land prices are begin- ng to climb again.

Both major pieces of pro- rty development legislation ve had the effect of reducing supply of potential develop- ent land. Landowners who n no longer expect windfall ins by selling green-field sites r building are reluctant to lease land. Their reluctance greatly heightened by the nservative Party's somewhat uivocal stand on these plan- ng laws. Initial Tory opposi- on to the legislation seems to mellowing. But landowners ho see little or no benefit in lling their land under the xisting controls are willing to old on in the hope that a Tory dministration would repeal the aws.

The architects of the CLA nd DLT were conscious of their isincentive effect on land sales. nd if the legislation worked in ractice as its creators had oped, local authorities would ave been able to overcome ndowners' unwillingness to ell by the simple use of com- lsory purchase powers.

kill

A few authorities have the ill and the will to employ their wers of compulsory purchase. it the vast majority are ysically incapable, or politic- ly unwilling to act as land yers for the building industry. ithout the expertise, the will d—because of reductions in public purse—without the sh to make the CLA work, ilding land with suitable plan- ng permission is becoming reasingly scarce.

As building land acquires ditional rarity value site costs beginning to spiral. Reports building land changing hands the South East for £200,000 acre are merely the most treme examples of a national nd. Throughout the country ilding land that sold for 0,000 to £50,000 an acre last ring now commands £50,000 £100,000 and there is no sign any reduction in this pace price rises.

One effect of this has been to ed the move of building pacity away from the small, al building firms and into the nds of the multinational con- uction groups.

Ever thinner profit margins er the past three years have ced many smaller builders t of business. Conversely, the rket share of the country's 20 construction companies s risen from just 14 per cent. U.K. construction turnover 1973 to just over 30 per cent. now. The bigger companies have the financial muscle to underbid on tenders to keep their workforce together through the recession. They also have the cash to continue buying land when it is priced out of reach of smaller competi- tors.

The larger construction groups are also in a far stronger position to negotiate terms for that other key cost ingredient, finance. Interest rates have fall- en from the crippling levels of 1974 and 1975. But memories of the last property crash are too fresh to make banks ready to lend cash for speculative building schemes without ex- pensive additional charges to cover the risk, or without the kind of loan security that is beyond the reach of the smaller builder.

The larger construction groups not only have access to *institutional funding for specu-* lative schemes, but have both the internal cash resources and security for bank borrowings to tap lower coupon finance than their smaller competitors. In this area smaller builders' costs have not fallen as rapidly as recent interest rate reductions would suggest.

Borrowing

The disparity of borrowing capacity between the heavy- weights and minnows of the in- dustry ranges through all fin- ancing costs, from speculative development finance down to simple day to day working capi- tal needs. As construction out- put forecasts suggest that the industry will have to accept highly competitive tendering to win a slice of historically low building demand well into the next decade, the steady decline of the small builder seems to be an irreversible trend.

Builders priced out of com- petition for land, and unable to find realistically priced fin- ance for speculative schemes, still have to face the material and labour costs of straightfor- ward contracting work. For firms without an historically low cost land bank, and so with- out the profit cushion from house site sales and other de- veloped land profits, even the recent slower pace of material and wage costs imposes a strain on the scope for competitive tendering.

Building material costs con- tinue to out-pace the general inflation rate. But there has been a very significant reduc- tion in the rate of price rises in recent months. In the first half of 1977 material costs were still rising at an annual rate of over 20 per cent. By the final quarter of the year the annual rate had fallen to just over 8 per cent.

Forecasts for the current year depend upon the pace of wage increases nationally. If the Government's pay guidelines hold, material costs increases may be held at around the 10 to 15 per cent. level. That would —assuming a similar increase in house and other new building prices — allow the building industry to maintain profit margins in 1978.

One possible spanner in the works is the rate of wage increases within the building industry itself. All the building trades have accepted the Govern- ment's pay guidelines. But not all trades accept the same interpretation of the rules.

The highest rate of unem- ployment within the building industry since the 1930s, with over 200,000, nearly 15 per cent. of the industry's workforce, out of a job, has provided the most effective argument against above-average wage claims. The building trades accepted the £6 limit between 1975 and 1976 as well as the subsequent 5 per cent. limit without complaint.

The new 10 per cent. guide- lines last until August 1978 and the plumbing and heating engineers interpreted the rules as permitting an immediate 10 per cent. across-the-board increase in pay rates with addi- tional selective increases in the next nine months. These addi- tional increases would give most employees in those trades between 20 and 30 per cent. more before the end of the year.

The Department of Employ- ment gratefully accepted the early agreement to 10 per cent. But it has yet to take an active line in the proposed additional increases. If the DoE does not intervene, or if it cannot inter- vene successfully, it seems prob- able that all the other building trades will argue for similar increases when the negotiation season starts in the summer.

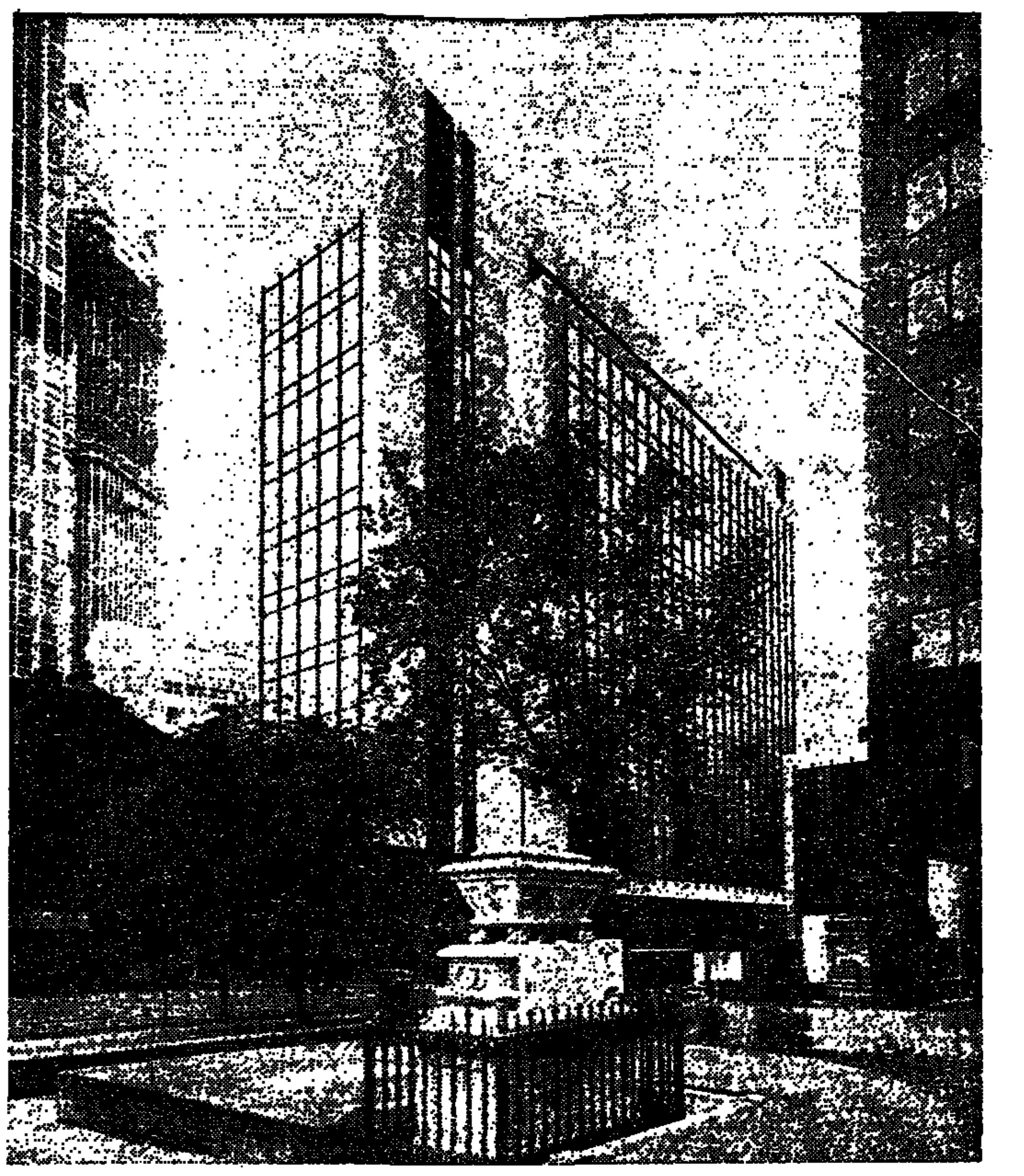
The seeds of a pay explosion late in 1978 may have been sown. Builders' chief hope now is that they will be more able to pass on these extra costs in 1978. It is a frail hope.

For most builders the key factor here will be the rate of house price increases. Talk of renewed gazumping in the housing market makes cheerful news for the industry. But such cases are still few and far between and generally reflect initial confusion over the pricing of houses rather than any mass excess of pent-up demand over supply. True, building societies have ample funds to lend. But it is equally true that borrowers remain cautious about the level of mortgage commitment they are willing to accept after the traumatic effects of historically high repayment costs in the past two years. On balance, it seems probable that house prices will run more or less in line with the expected 15 per cent. increase in real incomes during 1978.

On the commercial property front at least the investment market already accepts the fact that current building costs are artificially low. Investing insti- tutions' willingness to purchase properties showing miniscule initial returns has been influenced in part by their view of replacement costs. And investment funds have been drawn into all forms of the com- mercial and industrial property market by the simple supply- demand argument which suggests that: new building is financially impossible until rents increase, and without new building rents must increase as the existing over- supply of accommodation is absorbed.

Unfortunately for the build- ing trade the investment logic looks three to five years ahead. There is little hope of any immediate relief from the pub- lic sector either. And even after recent Government promises of aid for the industry, Henley Centre forecasts suggest that by 1982 building output will still be running below 1976 levels. With that grim prospect it is hard to see how it will be possible to pass on even rela- tively stable cost increases over the next five years.

John Brennan
Property Correspondent



A £5m. office block in Old Broad Street in the City of London recently completed by Trollope and Colls.

Land

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d they claim that with tax tes of up to 83 per cent. on ofits arising out of the sale of nd for development — a tem- rary concession currently nits the top rate to 66⅔ per nt. — the supply situation has own worse not better. Falling nd prices, until recently, and e prospect of heavy taxes ve encouraged many land ners to hold on to an asset ey might otherwise have sold, d the prospect of a change in e law under a Conservative dministration, seems to mean at they will be in no hurry to o otherwise.

Builders and developers look t to intensify their calls for ajor reforms. They primarily ant an improved system for dentifying and allocating de- velopment land and also want attention paid to the provision of infrastructure and the opera- tion of the actual mechanism for converting allocated land in- to sites on which development can take place.

With confidence returning to the economy, demand for new commercial, industrial and resi- dential development may hope- fully once again be on the increase. But with demand for all types of property on the increase and yet a reduction in supply in the offing at least in the medium-term, pressures on land costs, rentals and house prices could be immense. A dampening down of the land market will be an essential priority in the months ahead.

Michael Cassell

Contractors hope for a better year

LAST YEAR was the worst year that the building industry has experienced since the onset of recession late in 1973. It was the year when everything seemed to go wrong.

Trading problems which had been held at bay for so long, appearing to be confined to the small non-quoted builder, finally overhauled the publicly quoted contractor in a big way.

The mainspring of the contractors' change of fortunes was Government policy during 1976. In July of that year £952m. was taken out of public expenditure, including £233m. directly related to capital spending on roads, schools, hospitals, water and sewage programmes and municipal buildings. In addition £146m. was taken out of mortgage lending by local authorities, and for the first time in ten years controls were imposed on local authority housebuilding.

Then followed another series of cuts in December. These sliced £500m. off public spending on roads, schools and hospitals. In addition the housing budget was trimmed by £300m., the cuts being directed towards new housing, municipalisation, housing associations and new town development. Spread as they were over the two financial years 1977-78 and 1978-79 the cuts at 1976 prices took £1.14bn. away from the construction industry. And for good measure a moratorium was imposed on the placing of all new construction contracts, which was not lifted until May 1977.

Suddenly, where the public sector had provided half the work in the U.K. for the contractor, the enfeebled private sector was becoming the contractor's principal client.

But the private sector was in turn plagued by high interest rates which led many potential customers to curb their own capital expenditure programmes, curbs which many held onto for much of 1977 while they waited to see that the downward trend in interest rates was not to be shortlived.

These twin pressures from both the public and private sectors drove official U.K. new orders and output statistics down to fresh lows. Even the benefits of the near £1bn. reflation package the Government gave during 1977 were more limited than they looked, for the £1bn. did not replace the budget which had been slashed in the two cuts of 1976: rather, the boost was to be spread over a five-year period.

Skills

Against this background the contractor had to draw more than ever on management skills and cash in order to develop fresh markets and consolidate existing ones.

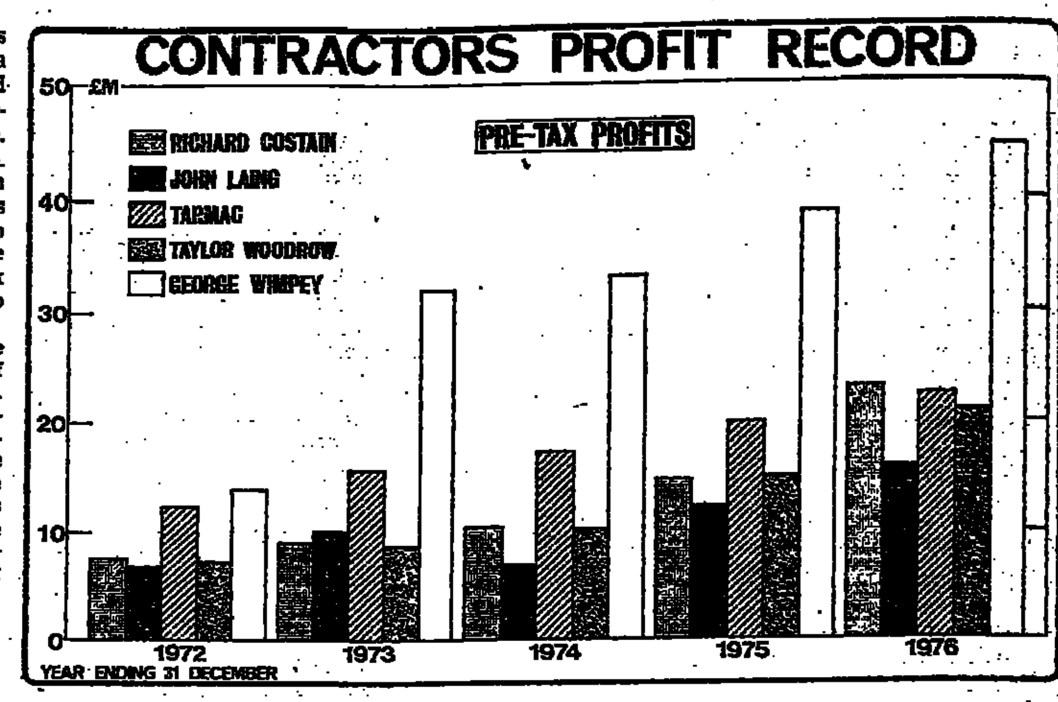
At a time when many long-term contracts were coming to an end over the past three years, which could not be replaced by similar work in the U.K., the development of overseas markets appeared to be an attractive, if not the only solution.

A measure of the way in which the U.K. has turned to overseas markets in recent years is that in 1969-70 overseas orders accounted for under a tenth of the combined U.K. and overseas total, and under one-twentieth of the work done. This changed little in 1973-74. But by 1974-75 the contribution to new orders from overseas doubled in percentage terms to near 16 per cent., and in value to £1.12bn.; while, by 1976, work done overseas had doubled to £875m.

The Middle East fuelled the growth, providing the bulk of orders between 1974 and 1976. However competition has stiffened since 1974. The more cut-throat competition has come from companies based in the less developed countries such as Eastern Europe, Cyprus, Greece and South Korea. American companies have had a head start on British competitors by reason of their links with the U.S. Army Corps of Engineers. As a result, the U.K. contractors' margins have been under pressure. Even Laing has found overseas markets hard going, making a £137,000 loss in 1976, and only breaking even this year, after making £3.48m. in overseas construction in 1975.

Physical conditions have been difficult in the Middle East. Extremes of climate, limited availability of local materials (which means that the bulk of materials has to be imported, a costly and time consuming operation), and the high cost of maintaining an on-site management team have raised operating costs to a far higher level than those in the home market.

Not only do Middle East customers prefer fixed price contracts (rather than those with cost related price escalation clauses, more suitable for those contracts which last longer than a year) but they insist on potentially punitive performance bonding arrangements.



Bonds are guarantees which a contractor has to arrange with his bank or other institution for a certain proportion of the contract's value, which is forfeited if the contractor fails to complete the contract or meet his commitments under any disputes which are resolved against him under an agreed arbitration procedure. Many are "on demand" bonds which may be called on without reason.

Although bonds are not usually shown in the balance sheet, they are still treated by contractors' banks as a part of overall debt. So some companies whose borrowing level may have already been high have had difficulty in arranging bank support for such an arrangement. And resort to international banking syndications has often proved costly.

It is no wonder then that late starters in overseas markets were suitably intimidated by some of the problems and sought other ways to enter those markets. One route was by acquisition, which not only consolidated a contractor's position at home but if chosen carefully could give a well established link with an overseas market.

Such a route was chosen by Tarmac. In 1974 when the four major contractors Costain, Laing, Taylor Woodrow and Wimpey collectively had overseas turnover of £276m. Tarmac's overseas turnover was negligible. By 1976 this had been built up to £66m. Some £30m. of it was attributable to the purchase of Holland, Hannen and Cubitts from Drake and Scull in 1976.

But a failure to understand at an early stage a Nigerian client's own understanding of the terms of one contract arranged by Cubitts and the unrealistic pricing of another has led Tarmac to make provisions of £12m. to cover existing and potential future losses.

Fortunate

However Tarmac is fortunate in that it has a breadth of trading interest which offers some cushioning against setbacks of the kind which would bring a pure contracting company to its knees. The other four major contractors enjoy this luxury.

For example, Taylor Woodrow has interests covering contracting to plant hire, ready mixed concrete to pre-fabricated buildings; while Costain's interest ranges from dredging and mining to property development, as well as construction. It is this spread of interest which has enabled the contracting majors to come through the recession in reasonable shape.

This, and a more conservative method of accounting, taking profits towards the end of a contract rather than during the life of a contract in many cases, have been the major factors behind some contractors' glowing profit records.

The underlying staying power of the majors has meant that as weaker and more vulnerable companies have buckled under the pressure so the major contractors have picked up market share in the U.K. Even though they may not be handling perhaps the major project work of the past in terms of value their volume of orders has been steadily increased.

As for the smaller contractor, or contracting relating business, it has been those with highly specialised interests or services which are staying the course. Others who have tried to emulate the contracting majors—by taking on jumbo overseas orders, or by making injudicious acquisitions, without the same financial resources—have been experiencing real difficulties.

The small company which has made an attempt to penetrate overseas markets has found that by doing so it has tied up much of its cash, and syphoned off valuable U.K. management resources. Once overseas it has found it difficult to retain a hold on the U.K. market. For while that company has been beguiled by overseas possibilities, others in the U.K. have picked up market share. So that company has to chase further overseas orders of a size which it can ill-afford to finance. These are not days for the tyro. Less prudent accounting procedures have not helped either.

John Moore

The materials manufacturers

THE U.K. building materials industry has a lot on its mind at the moment. Not only does the recession in construction at home mean that its prospects for sales here remain depressed but it is becoming increasingly concerned about suggestions that it could soon face at least some degree of state intervention.

On prospects for work in the domestic sector, the materials manufacturing industry does not apparently share the latest view being expounded in some circles that the building recession has bottomed out and that the outlook for 1978 is more encouraging than it has been for several years.

Only days ago the National Council of Building Material Producers dampened down some of the recent mildly expressed enthusiasm about prospects by saying that this year will be the worst on record for construction since 1963.

The prospects, it said, were bleak and no recovery was in sight until next year at the earliest. It pointed out that the £600m.-plus that the Chancellor had restored to public spending in the construction sector since last March could not detract from the fact that two more lean years were on the way.

The Council emphasised that most of the money going back is going to building works, especially housing, rather than to other forms of public sector construction. It accompanied its gloomy appraisal with the now depressingly familiar statistic that 15 per cent. of all unemployed in the U.K. were from the construction industry and made it clear that, in its opinion, there is a long way to go before talk of a revival can be justified.

But if low demand at home is a major concern, the spectre of some degree of nationalisation sends shivers through every building materials boardroom in the country. Ever since the Labour Party document last September, the material sector has been girding its loins for a fight over the prospect of state intervention in its affairs.

Despite assurances from Ministerial level downwards that the producers have nothing to fear, the industry believes that confrontation is on the way. Only last week, Mr. Eric Heffer, who chaired the working party that produced his Party's plans for construction, said that there was to be no wholesale nationalisation and that he was finding it difficult to convince people that this was the case.

What the document did propose, in some detail, was the formation of a Building Materials Corporation, backed by the planning agreement system, and including some of the biggest names in the supply industry, such as Pilkington, BPB Industries and London Brick.

The industry remains far from satisfied with assurances from Mr. Heffer and his colleagues that only limited public ownership is being proposed that talk of large-scale intervention is "conjecture." Its leaders believe that the suggestion should be firmly squashed now.

The party document said that the building materials sector had to be efficient and socially accountable and that selective public ownership was the answer. It pointed out that several of the building materials industries were dominated by one or a small number of companies and gave examples: domestic output of flat glass and production of plasterboard is in the hands of single monopoly producers, one firm—APCM—supplies 65 per cent. of the cement market, another supplies 43 per cent. of the total brick market (virtually all of the fletton sector). At the same time, production of ceramic tiles, roofing tiles, clay pipes, concrete slabs and sanitary equipment is also highly

CONTINUED ON NEXT PAGE

BUILDERS OF BRITAIN V

Building societies hold the stage

ɅIN'S BUILDING *societies* to lend something over a day to home buyers on and every day of 1978, a ic which forcibly under- the importance of their n the development of the private housing market.

'ays an important element fortunes of the private ıg sector, the societies now moved to the centre stage and it seems inevit- that their long-standing ıs the provider of finance ne out of ten home buyers out to undergo a major ıping and expansion.

immediate past has ht the building society ment a period of un- leled success in which d numbers of people have helped to buy their own . All the evidence sug- that the desire for owner ıation has never been ger and that any Govern- will have to include the ısion of home ownership in rogramme of social priori- if it wishes to maintain larity.

rget

ring 1977 itself, no fewer 754,000 loans involving a d £6.7bn. were arranged the societies enter 1978 inced that this year they do much better. A provi- l lending target of around n. has been set and the ber of loans should nach the 800,000 mark.

ıe turn-round in the move- t's position has been natic. Less than a year ago, societies were forced to ge record interest rates on ıe loans in order to enable n to compete for funds. Last uary, the societies' net re- ots struggled to reach £89m., le this month they are ex- ted to reach £500m. Towards end of 1977 they almost ched £600m.

Alongside the receipts, ad- ıces each month have been ıning around the £700m. level even exceeding it at one stage and this is expected to be- ne the norm for the re- inder of the year.

All this, together with the t that the cost of home loans been reduced from over 12 cent. to 8¼ per cent., cutting payments on a 25-year ,000 mortgage by over £26 a ıth — making mortgage ıey cheaper than it has been nearly five years.

or the time being at least, movement's problems are ıg to be the problems associ- l with success rather than ıre; the task of avoiding an heated market rather than job of spreading the money e thinly in order to help as y would-be home buyers as ible.

ouse price inflation is cer- ly going to be a major factor building society operations ng 1978. The Government the movement are clearly rmined to keep the situation ly under control and will be avouring to strike a fine nce in the housing market.

ılding society funds are not more than one element in chain of factors which deter- e trends in the housing mar- but there is reason for eving that uncontrolled lend- in the months ahead could bring about an unwelcome alling of prices.

As they make their calcula- tions, the Government and the societies are well aware that house building costs have until very recently been rising at a much faster rate than market prices for new properties and that these, in turn, will not move to any significant extent until prices for second hand homes rise more rapidly.

But if the rate of house price increase must be accelerated beyond the 1977 average figure of 7-8 per cent., *they must not* be allowed to move too quickly, for fear of pushing house pur- chase beyond the reach of many people and stifling demand.

The societies and the Govern- ment have between them studied the components which are likely to affect the market this year and have calculated that the £8½m. can be injected into the market quite safely.

The belief is that average prices will, on that basis, rise by between 10 per cent. and 12 per cent. and that builders, faced with steadily falling costs, can expect to see some restoration of their profit margins in the medium-term future. Hopefully, a large housebuilding pro- gramme will follow.

There are those who believe that the year will simply not go that smoothly and that at some stage during 1978 the impact of record volumes of mortgage fin- ance and *rising real incomes* could be substantial. If the signs are that prices are moving too rapidly, then however much the building societies may protest they may find the Government requiring them to hold back on lending.

It would place the movement in an awkward position, for there is only limited scope left for them to divert money into surplus funds—already standing at record levels. At the moment the societies are in possession of the largest "stabilisation fund" ever achieved, which augurs well for the future but *could present them with some* shorter-term embarrassments.

Quite apart from the imme- diate business of this year's lending programme, the socie- ties will also be examining in detail a long list of proposals contained in last year's housing policy review which, if imple- mented, would have a direct bearing on their operations.

The societies will almost cer- tainly this year be expected to implement a Government scheme to help first-time buyers and they are accepting the de- velopment in good grace although most of them think it a waste of time.

The Government's plan is to offer first-time buyers a savings bonus and loan scheme to help them over the owner-occupied threshold and while the build- ing societies can hardly be seen to be pouring cold water on any plan with this end in view, they believe the scale of the aid— about £50m. a year—will render it ineffective.

Document

Elsewhere in the Govern- ment's policy document, there are suggestions that the societies should lend more on older properties and provide bigger percentage loans. Lower- start mortgages—which most societies object to—are also called for. The societies are being asked to work more closely with the local authori- ties under the support lending scheme and are told that in order to ensure an adequate and stable supply of mortgage funds in the future they may one day be taking funds from institutions via a special finan- cial intermediary.

All these proposals and others which may follow—could the societies eventually be asked to become involved in every aspect of inner-city re- development for example?— are a reflection of the move- ment's growing size and *influence and as much as some* of its members may regret the trend there would not appear to be any path back.

The building society move- ment has often made a point of emphasising that its policies are motivated as much by social considerations as financial ones and many of the proposals re- cently put forward could put that claim to the test.

Nowhere will that test be more telling than in the societies' dealings with local authorities. The support lend- ing scheme, by its very nature, means that societies are in many cases being asked to help the type of borrowers to pur- chase the type of homes which they would not—for commercial reasons—have previously con- sidered. They are adamant that this is still the case but they have clearly become more flex- ible in their outlook and al- though the scheme got off to a very sluggish start—as much because of local authority red tape as anything else—the out- look is now good. Next year the support lending scheme is due to account for £300m. of mort- gage money against £176m. this year.

The societies have been quick to point out that much of their reluctance to lend in particular areas—if they will admit to as much—is simply because in- decision on the part of local authorities has left large urban areas with uncertain futures.

The climate, however, is changing as the Government's drive to regenerate inner cities gathers momentum. The estab- lishment of inner city partner- ships and local improvement strategies are acts which are helping to confer upon run- down areas a status of per- manence which they have lacked for so long. The move should help encourage authorities and the building societies to co- operate in helping the regenera- tion process.

M.C.

Materials CONTINUED FROM PREVIOUS PAGE

concentrated, according to the document, and as such these areas are early candidates for acquisition.

For raw materials such as sand and gravel, the Labour Party NEC believes in what it describes as "a more thorough- going form of public owner- ship." In plainest language, it wants total nationalisation of mineral rights—a previous Labour Party commitment— and with these a major part of the associated production facilities.

The document also points out that the largest of the building material industries is that concerned with timber and timber products and that a public stake should be estab- lished also in this field, by extending and diversifying the activities of the Forestry Com- mission.

The response from the building *materials* sector has been predictable. State con- trol, it claims, is a recipe for disaster and totally irrelevant to the needs of the industry. They say that for years the materials supply industry has expanded production to meet demand and that a Building Materials Corporation could respond no better than private industry to those market demands. They cite the only area to date in which public control and construction activity have combined forces —direct labour organisations —and claim that experiences in this field should be suffi- cient to kill off any further proposals in this direction.

But however concerned the materials manufacturers are about the future shape of their industry, their immediate con- cern is to win orders from wherever possible to help off- set the low level of demand from the U.K. construction sector.

In many respects, the most painful period for the materials sector is over, although pros- pects for business remain blighted. In the past four years, *few manufacturers have been* able to avoid painful contrac- tions of manpower and produc- tive capacity but the slimming process is now largely complete.

As a result, the industry is certainly now more efficient and substantial rises in product prices mean that profitability has been much better than might well have been reason- ably expected. A major question is how well the industry as a whole will be able to cope with any upturn in demand brought about by a revival in construc- tion, although the nature of the next improvement in work levels may be gradual and modest enough to avoid some of the overheating problems which have dogged the industry *for too long and which the* Labour Party NEC for one think they could overcome.

Expanded

Inevitably, many manufac- turers have looked overseas for orders. Many of the largest pro- ducers have been very heavily involved in overseas markets for years, either via local produc- tion units or licensing agree- ments but the process has been expanded in view of the reces- sion at home and perhaps the realisation that the U.K. may for many products never again represent the same scale of mar- ket as in the past.

Among the major names in materials manufacturers abroad are: APCM, BPB Industries, Marley, Pilkington, Ready Mixed Concrete, Redland, Tunnel, Tarmac and Rugby. Major names like London Brick have recently been joining them. Overseas investments, inevitably on a substantial scale for most of these companies, have not been without their risks—political and financial— but further development along these lines seems certain.

The manufacturers them- selves are not alone in ventur- ing abroad and some merchant- ing operations are now seriously considering business prospects overseas. One of the largest U.K. merchants, the UBM Group, has established a merchanting operation in the Gulf to service British and foreign contractors and reports considerable success so far. UBM Overseas believes that there is a growing demand in the Middle East and other developing areas for experi- enced merchanting operations and intends to expand its over- seas operations in order to grab a share of the potentially huge market.

If there are any equally bright spots at home for the building material producers and merchants, the Government's apparent determination to boost renovation and improvement work—with a high material con- tent—is of considerable encour- agement. So too is the drive to improve standards of insulation in industry, commerce and in the home.

M.C.

Major recompense overseas

THE MOST striking development in the U.K. construction industry during the 1970's has been its spectacular expansion into overseas markets. The process has, in the past four years, gathered even more momentum because of the poor workload at home.

The industry can with some justification feel pleased about the extent and success of its foreign activities and the Government has not hidden its own delight at the way in which many contractors and professionals have capitalised on their skills to find work wherever work exists.

According to the Department of the Environment, which has itself been anxious to help the army of designers, consultants and contractors in their efforts, British companies associated with the construction industry earned over £2bn. worth of overseas work during 1976-77.

During that year, building and civil engineering operations won new overseas contracts worth £1.7bn. in over 100 countries around the world, an increase of nearly £400m. on the previous twelve months.

The extent to which their foreign operations have grown can be appreciated by the fact that in 1971-72 overseas contracts won had been valued at only £300m. Even given the rapid rise in inflation during the interim period, the latest performance—to be improved upon in the current year—represents a major effort.

The DOE says that overseas work actually done in 1976-77 amounted to a healthy £1.28bn. at current prices compared with £881m. in the previous year. The value of work outstanding on overseas projects at the end of March last year rose by £343m. to no less than £2.19bn. The figures are by now of course almost one year out of date but all the indications are that while the growth rate may not have been so rapid in the past year, the trend was still upwards.

The pattern of overseas work continues to be dominated by work in the Middle East and estimates suggest that the region now accounts for about half of all new orders won abroad by U.K. contractors. Europe continues to provide a valuable if difficult market for the contractors, with competition fierce for what work is available and local companies usually equally capable of carrying it out.

Tipped

Perhaps a sign of things to come is the fairly strong growth of contract successes in South America, widely tipped to become the next "boom" market for the international construction fraternity.

Government figures have recently begun to highlight the fact that while the large contracting operations, many of whom have been working abroad for many years, continue to dominate the field, smaller companies without previous experience of working abroad are also beginning to make considerable headway.

The last batch of DOE figures showed in fact that of the 100 or so companies taking on foreign contracts, about one fifth of them were venturing abroad for the first time. The share of the total value of new contracts taken by firms outside the top twenty largest contractors rose in 1976-77 to nearly 30 per cent. from only 5 per cent. in the year before.

The value of contracts, however, may be an indication of the extent of the spread of British involvement in overseas construction, but it provides no indication of whether those involved are actually coming home with a profit.

On this front, the DOE says that the record is also good. It claims that, again in 1976-77, the total overseas earnings of all the sectors of the construction industry were over £2bn., a 25 per cent. rise over the previous year. This was roughly made up of over £300m. earned by the contractors, £250m. from the related professions of consulting engineering, architects and surveyors and about £1.45bn. from the export of building materials, plant and machinery.

Recent events have shown clearly that profitability is by no means guaranteed and some contractors have admitted to having got badly burned fingers. Their failures have usually been the result of taking on work for which they have quite simply not done enough homework—in terms of acquainting themselves with local conditions, contractual terms and local business philosophy.

A major factor worth bearing in mind is that an area like the Middle East cannot be regarded as one market. Within the region there are as many different types of market conditions and prospective clients as there are in Europe and good groundwork is essential for any aspiring contractor.

Perhaps most importantly of all, he should not be put off trying to win business in the Middle East in particular because of the fairly widespread tale that the boom is over. The nature of the work available may be changing as the basic infrastructure is filled in but the region will have enough medium and small-scale work on offer to keep many hundreds of contracting and consulting operations in business for years to come.

Mr. Jim Nelson, a vice-president with the Bank of America in London, who specialises in construction and believes that a lot of people are still badly informed about the problems of working overseas, has drawn up a formula both for making and losing money in the Middle East and newcomers could do a lot worse than to heed some of his advice.

A contractor, according to his formula, must use a local partner who understands and is involved in the local construction market, is well known and reputable and can help solve payments and visa problems when they arise. Mr. Nelson says these can still be found, though some contractors who have searched for them have found the job a tough one.

Ignored

Next on the list: take projects involving cost components with which you are familiar and over which you can maintain some control; minimise the use of local sub-contractors and obtain prime bank guarantees: and base bid prices on a detailed survey of the market, so that the return on a project will be high enough to match risk and effort—advice which sounds like pure commonsense but which has been ignored with depressing regularity by many operators.

Other tips include the earliest possible mobilisation—again a problem which has caused severe headaches even for the largest and most experienced contractor—and go for work with as little inflation risk as possible—that is the shorter the better and the less local material and labour costs the better.

If a contractor wants to lose money in the Middle East, Mr. Nelson invites him to follow the alternative set of rules. Take on a large project involving high labour and local cost components, such as a road or general contracting project for an airport — British contractors have already come dangerously close to disaster by following this particular path.

The company determined to go bankrupt should also bid low just to get into the market, utilise executive staff with no overseas experience, wait until the contract is signed before mobilisation and finalisation of all sub-contracts and supply contracts and expect to be reimbursed for inflation. That should, according to Mr. Nelson, do the trick.

Even if every one of the first set of rules is adhered to, success cannot be guaranteed, but many contractors are having to take the risk on the basis that to rely on the home market is potentially suicidal. For although output may now have bottomed out, it could be some time before work levels rise significantly.

There seems little danger that, if domestic work does now steadily increase, the contractors expected to do the work will find themselves unable to cope because of heavy commitments abroad. Overseas work does after all still only account for less than a fifth of the industry's output.

It is, however, a very important fifth and seems set to remain so.

M.C.

Collective voice for construction

IT IS 100 years since a group of men met in a Crewe hotel to devise a constitution and a programme of action designed to provide the construction industry with its first national body of building trades employers. For three guineas a head upwards, the builders pledged themselves to provide their industry with a voice and a united front with which to protect their own interests.

To-day, that organisation is the National Federation of Building Trades Employers and its stature and size—together with its subscriptions—have risen surely and steadily ever since.

It was not until the turn of the century that the by then re-named NFBTE had begun to attain a national status, with a developing regional structure and an ever-widening sphere of activity. Now, the NFBTE is by virtue of its size and its broad spread of interests, recognised as a main and central organisation for all types of building employer.

With 12,000 member companies, between them accounting for 75 per cent. of employment capacity in the industry—including nearly all the major contractors—the Federation can rightfully claim to be a powerful force in the construction sector.

It claims to be the only building employers' organisation represented on all Government committees concerned with building and it has representatives on joint boards and committees with local and public authorities, the building professions and the educational authorities.

Through its central, regional and local staff in England and Wales the NFBTE member has access to a range of services which may perhaps be equal to those provided by any other industrial organisation in the U.K.

But perhaps the most recent development affecting the Federation, and the industry as a whole, has been its recent decision to present a united front to the Government in dealing with questions essential to its future well-being—the principle behind its original formation, even if trades unions rather than central government were more at the centre of their thinking 100 years ago.

Last year, in fact, saw a remarkable transformation of attitudes in an industry which has long been criticised for its fragmented organisation and invariably blamed for its own fate because of its inability to establish a sense of common purpose.

It was a crisis which brought the transformation about—a workload crisis precipitated by a weak economy and exacerbated by a vicious reduction in public spending by a Government with an immediate and overriding need to cut expenditure.

Leaders of various trade bodies and professional associations made concerted but individual efforts to impress upon the Government throughout 1977 just how badly its action was affecting both the immediate outlook for the industry and, more importantly, its longer-term prospects.

It seemed as though their pleas were having litt'e impact, although it was fairly obvious that the Government's scope for action was for a while extremely limited.

It was in the middle of 1977 that a new strategy emerged and for the first time in anyone's memory, the Prime Minister received a deputation from the construction industry as a whole. Representatives of eight separate construction sector organisations went to Downing Street to state their case for more work and, within weeks, they were doing the same thing again to see Mr. Peter Shore, Secretary for the Environment. By December, when the same delegation bearded Chancellor Denis Healey in his den, the format had become accepted.

Just how successful the combined approach has been is difficult to tell. Did Mr. Healey reinstate at least a proportion of the cuts he had made because the combined forces of the industry convinced him he had gone too far, or was help on the way in any case because of the improving economic situation?

The industry is convinced that their efforts were instrumental in obtaining help and Ministers have expressed their approval for the new style approach. The strategy is certain to be repeated and indeed in the past few days some of the industry's representative bodies have for the first time made joint representations to the Chancellor in advance of his next Budget.

The next occasion on which the industry is likely to join forces is the issue of nationalisation and a vociferous campaign to fend off any Government move in this direction is being planned.

But the joint efforts made by the NFBTE and other industry organisations still need to be buttressed by the work carried out via the individual bodies.

NFBTE remains the dominant representative building federation. Its industrial, political and economic expertise — demonstrated by its work in such fields as industrial relations — parliamentary liaison, management training and information services—enables it to provide a major part of the voice which the industry requires.

That voice, the Federation believes, will have to speak out more loudly in the years ahead. Apart from nationalisation plans, measures to extend direct labour operations and the apparently ever-expanding mass of costly and time-consuming legislation will be candidates for attack where the need arises.

The Federation, and the various organisations under its "umbrella"—from the crucial private house building sector through specialist areas such as sub-contracting, plastering, scaffolding, stone-masonry and wood-working—is required to digest such legislation, advise the Government on its effect on the industry and guide members so they comply with what the law requires.

Most importantly, the NFBTE provides a vital link between the builders, the Government and the community at large. One of its key tasks is to ensure that the former does not act in such a way as to deny efficient and cost-effective service to the other.

To be successful in enabling its members to operate efficiently and cost-effectively means that the interests of the other half of the building equation—the client—are also safeguarded. The Federation sees its role as continuing and developing its specialist services to members on the one hand while providing a powerful and influential voice for the industry's policies and views, both inside Parliament and in representations to Government and other relevant bodies.

In this way it hopes to assist the industry in its recovery from the current recession and ensure that no future Government allows the industry to be used as an economic regulator and to produce the same type of problems through which it has now struggled for over four years.

M.C.

The pleasures of illumination

by DENYS SUTTON, Editor of Apollo

art critic generally finds he is faced almost exclu- with the task of comment- n paintings and that other of art come off at second This means that he may rarely enjoy the opportu- of writing about those works give him special pleasure. as archaic Greek sculpture uminated manuscripts.

far as the latter is con- d, the opportunity arises so with the publication of nagnificent volume devoted e illuminated manuscripts e James A. de Rothschild tion, Waddesdon Manor onal Trust, Office du Livre,)). The book itself is a lass example of book pro- on with excellent colour s.

ere are only 26 illuminated iscripts in the collection— rom the Baron Edmond de schild collection. Yet dis- on of these suffices to fill ce book. The text is mainly to L. M. J. Delaisse, of the l Library, Brussels, but, his sudden death in 1972, work was completed by s Marrow and John de Wit. is owed to the skilful and editing of Sir Anthony t.

★

though this volume will be of cular interest to specialists, itains much that will appeal iose who are intrigued by way in which books were iced before the invention of ing. The technical discus- of such matters is fascinat- and breaks new ground; it s clear that much remains found out about the prac- of publishing houses in the le Ages.

ch information is not to be d in a consecutive narrative ie book, but in the commen- s on each item. One remark- comment (an essay, in fact) a MS 9, a *Book of Hours*, uted in Bruges in about . To the untutored eye, this me with its many miniatures it look like many others of ype. This is far from being case. For instance, the minia- s are painted by a Flemish l, but the lettering is in lan, and we are told that a lan, as well as an Italian, ny existed in Bruges. These ils provide a mosaic of facts h in the aggregate provide icture of events, in which stic, historical and economic tters are skilfully blended. ie manuscript is associated William Vrelant, one of the principal miniature artists of the time, and the point is made that the painterly technique in a page such as the *Ecce Homo* is so lively that the faces of the Jews look ahead to those met with in the paintings of Jerome Bosch. This sort of remark indicates that it is too narrow to attempt to see medieval painting in isolation and without recognising the role of the illuminated manuscript as a source.

This is particularly true of English medieval art (which is not represented in the collection), for it is to the works of the Schools of Winchester or St. Albans that we turn for a rounder view of the character of English painting during these years.

The collection at Waddesdon Manor provides a good cross-section of the activity of the continental medieval publishing houses, and it is possible to gain from these examples an indication of stylistic cross-currents and the evidence of national components, and to gain some idea of the character of local centres, such as those at Rouen or Paris. One problem that is suggested, although obliquely, in this book is the position of an artist such as Simon Marmion who was able to paint such superb panels as those from the St. Bertin altarpiece at Berlin and at the same direct a workshop. The intriguing problems of the connections between different forms of painting in France, for instance, have been examined in depth by Millard Meiss in his remarkable books. Meiss argued, for instance, that the Boucicaut Master, a luminary of the French School, was in fact Jacques Coene, from Bruges.

★

Minatures may be studied from a variety of angles, and they have much to offer the aesthete. The border decorations are often executed with singular delicacy; those by French artists have a chic that announces that of the best *haut couture*. Often, too, exquisite details of landscape may be found, as in MS 8, the painter in illustrating a chronicle of Greek and Roman history (MS 11), has been able to create fairly tale architecture and conjure up an air of fantasy. Flowers and fruit are depicted with keen observation as in the Book of Hours from the workshop of Jean Bourdichon. A miniature such as *The Coronation of Anne of Brittany*, c. 1505, is evocative of a period and a milieu.

The collection at Waddesdon Manor, which has been admirably catalogued, may well give rise to the hope that before too long an exhibition of illuminated manuscripts, on an international scale, may be held in this country. It could prove of immense interest and excitement.

Building the Tower of Babel, from the Chronicle called 'La Bouquechardiere,' produced in Rouen, c 1465

1978 Gulbenkian Music Fellows

The Calouste Gulbenkian Foundation, Lisbon, has announced that its 1978 Music Fellowships have been awarded to the pianists Terence Judd and Gordon Fergus-Thompson, and the baritone David Wilson-Johnson. The awards, worth £3,500 over three years, are intended to give young soloists who have proven ability the opportunity to concentrate on their solo careers. The three Fellows were selected from over 50 applicants by a panel including Lionel Salter, Felix Aprahamian and Professor Brian Trowell.

There will be an opportunity of hearing the three Fellows on Sunday, April 2, at 3.00 p.m. at the Wigmore Hall.

Festival Hall

Alpine Symphony

by MAX LOPPERT

"One must," according to one of the more high-minded dictates of Donald Mitchell's *The Language of Modern Music*, "say No to Richard Strauss's *Alpensinfonie*." "One" is here the critic, who has just been directed, "in his own small way (to) make his stand, and say No to the lie that is implicit in the use, however, masterful, of a language which has lost the power of meaningful speech" — and Strauss's Op. 64 tone poem is singled out as a particularly ripe embodiment of that lie. With its gigantic orchestra swollen by heckelphone, Wagner tubas, and an offstage complement of 12 horns, the work is expensive to mount, and so opportunities to test Mitchell's hard-line stance don't come one's way very often. For this reason, at the very least, the performance by the London Symphony Orchestra on Sunday evening was a cause for gratitude.

But it soon becomes pointless to do so, because the rosy-cheeked, large-limbed simplicities of the music refuse to justify proscriptions of this kind. Indeed, there soon seems something positive about Strauss's mammoth realisation of a disarmingly naive conception ("A Day in the Life of an Alp"?). I'm not sure I could trust the judgment of anyone whose sense of the ridiculous wasn't tickled just a little by those tinkling cowbells or whooshings of the wind machine — those touches of the most literal-minded kind of pictorialism in sound. Yet time has its own most satisfactory way of relegating music to a suitable station; and by now the *Alpine Symphony* can be recognised as a spiritual descendant of one of those 19th-century musical collections of travel postcards — Massenet's *Scenes pittoresques*, say — blown up to the largest possible size and placed in the most ornate frame. To arbitrate against musical experiences of this kind is as ridiculous as to take them seriously.

The LSO performance, under Andre Previn's careful and unflappable baton, was most enjoyable—energetic, with a full range of sumptuous primary colours and a resilience in spinning out the long diatonic developments long after a less athletic band might begin to show signs of fatigue (the only detectable moments of weariness were the sounds of the high trumpets briefly sagging below pitch). This orchestra has always risen with spirit to large challenges, and under a conductor whose relish of the various textural elaborations (grunting bassoons, shivers of high strings, the piercing utterance of four flutes in unison) was clearly as great as the players', the result was unfailingly vivid. What one missed, though, was the ability of a Kempe to convince one that tunes with the four-square tread of a nursery jingle can sound sufficiently beautiful and interesting to permit development and recapitulation at length. The trouble with the *Alpine Symphony* is not so much that its language has lost the power of meaningful speech as that the music is prolonged well beyond the effective limits of that language.

In the first Rakhmaninov Piano Concerto, before the interval, the young Polish prizewinner Krystian Zimerman made his second South Bank appearance with this orchestra. For a poet of the keyboard, which Mr. Zimerman revealed himself to be on touching the instrument, the work offers rewards—the Chopinesque E flat episode of the third movement was a moment of particular liquid grace. Even more impressive was the way Mr. Zimerman steered himself through sections of thundering bravura tailored to a physique larger than his own, by remaining within his limits and by relying on musical projection of the utmost clarity and firmness. The result was not the most hair-raising of readings; but it was uncommonly distinguished.

Elizabeth Hall

Bernard Roberts

by DAVID MURRAY

Bernard Roberts does not look in the least like a shrinking violet, but his merits somehow remain under-sung. Equally respected as a chamber player and a pedagogue, he makes occasional solo appearances without fanfare. Friends and students seemed to compose a fair part of his audience on Sunday afternoon. And yet he is something of a pianists' pianist: it was a wonderfully subtle, perfectly finished account of Faure's op. 109 Preludes which he broadcast recently that made me eager to hear him again at length.

He gratified expectations at once with the C major Sonata (Hob. no. 48) of Haydn. Its dimensions are deceptively modest; he spread it out with confident delicacy. It is no easy thing to play any but the most overtly dramatic of Haydn's sonatas on a modern grand without either betraying the dynamic scale or else reducing Haydn to music-box prettiness. Roberts accommodated both Haydn's toughness and his elegance without a hint of artificial constraint, thanks in large part to his commanding several more gradations between mezzo-forte and piano than are contained in most pianists' armories. Almost every phrase added a fresh sense to the progress of the music, naturally and uninsistently.

Stephen Dodgson's recent Sonata in C, nearly two centuries younger than Haydn's, was treated with no less sympathy. Quirky but clean-lined, airy and lightly discursive, its shape was neatly brought out by Roberts' thoughtful punctuation (and pedalling of great tact and finesse). He displayed as much refinement in two pieces of late Chopin, the Barcarolle and the B major Nocturne, but with a one-sided concentration on the melodic line—the remarkable harmonic underpinnings were knowingly laid down, but not planted firmly enough to reach up and colour the rest. The coda of the Barcarolle taxed Roberts' tonal resources: there is much more going on in it than he was able to bring out.

Beethoven's "Hammerklavier" Sonata wants almost preternatural power, at least for performance in a large hall. Roberts offered a wealth of perceptive detail, but there was too little granite in the sound. The cost of the brave Allegro he established at the outset was a pervasive brittleness; the dotted crotchets of the Scherzo were almost double-dotted, and good intentions in the Fugue became a series of jabs well before the end. There is so much that Roberts can do with great distinction that he really does not need to make forays into this fierce territory.

RSC bonanza in Newcastle

Newcastle theatregoers have already bought more than £70,000-worth of tickets in advance to see the Royal Shakespeare Company's six week season opening at the Theatre Royal on February 13. Many performances are already sold out and at the Gulbenkian Studio attached to the University Theater only 100 seats (of a total of 5,500) remain unsold for the complete season of five productions.

Booking for late night and lunchtime performances to be given by RSC actors at the Studio will open shortly. Educational visits to schools are also in preparation.

Ronnie Scott's

Toots Thielemans

by KEVIN HENRIQUES

The harmonica's role in jazz s been mainly in the country urban blues domain, in the nds of such driving players as ny Boy Williamson, Junior lls or Sonny Terry, who sur- singly prise expressive, noping sounds from the little trument. In more contem- ary jazz it is Brussels-born ots Thielemans who has, ost single-handedly, made the monica accepted and pected and, indeed, prac- lly his exclusive property. He played and recorded with of the leading figures in , was a member of George aring's group for several s, and now, living in erica, does studio work and poses for films and tele- on. He is at Ronnie Scott's l the end of the week, making of his infrequent jazz club earances and triumphantly ing that the harmonica can duce attractive, swinging ids.

hough it has a limited range omparison with most other ruments, in Thielemans' ls and mouth it is totally ivating. He explores its e without resorting to distor- electronics or gimmicks can even dismiss his rican-Dutch rhythm section play Duke Ellington's "The ch" without losing the tune's nsic longing and sadness. He at home with Ellington (he s liberally from Duke's rtaire) as he is with the Bop compositions of John ane whose chordally intri- "Giant Steps" he plays blazing facility.

dditionally the genial Thiele- plays guitar with delicacy t great originality and also whistles pleasantly (eat your heart out Ronnie Ronalde!!). He does both simultaneously on "Bluesette," his lilting hit composition which has become a jazz standard.

This is Toots Thielemans' first time at Scott's and audiences are being surprised and entranced by the gentle, straightforward honesty of the man and his music.

★

This is the appropriate place to report that Scott's has entered the record business with the formation of Ronnie Scott's Record Productions which will be appearing through the Pye group. Three albums initiating the enterprise are already out and the first (*Serious Gold*, NSPL 18542) fittingly features the club's owner. Recorded three months ago with his present quintet it has plenty of robust tenor and tender soprano-sax from Scott himself, impeccably supported by his four-man rhythm team among whom John Taylor on keyboards has never played better on record.

The other releases are live recordings made in the club last summer by Sarah Vaughan (NSPL 18544) and Carman McRae (NSPL 18543). These two jazz singers were in peak form during their visits. The vocal gymnastics and huge range of the "divine" Sarah are happily balanced with her amazingly controlled ballads, for example "Feelings" and an almost excruciating "My Funny Valentine." Miss McRae jealously cherishes lyrics, never missing a chance to point a meaning, a phrase, a word even. Her choice of material and taste are beyond reproach. Both LPs are essential souvenirs of two outstanding artists.

Toots Thielemans

Wigmore Hall

Kreuzberger Quartet

by DAVID MURRAY

"German Week" at the Wigmore ended on Sunday with a concert by the young Kreuzberger String Quartet. By the conservative standards which govern quartet programmes, theirs was rather adventurous: Schumann's Quartet No. 3 and Janacek's First—the "Kreutzer"—as well as late Haydn, the G major from his op. 76.

They began boldly with the Janacek, flinging out its first subject with fine declamatory force. The work is full of passionate elisions, poignant fragments crowding in upon fragments without a trace of an academic transition: instant sharp characterisation is of the essence, and that the Kreuzberger managed without a trace of an academic admirably. Ideally there should also be a sense that the fragments — especially the dance-music—belong to something which continues before and after what we actually hear, as if a memory-door were opening briefly on it and closing again. The Kreuzberger attack was mostly too hasty to suggest that, but with the loss of a certain breadth they achieved a striking dramatic immediacy.

Their Haydn was again sharply conceived, and generally urgent. Neither Haydn's "Adagio sostenuto" nor Schumann's "Adagio molto" persuaded them to more than a decent Andante, though they found a proper degree of gravity for each. The wit in Haydn's finale will emerge better when they relax with it; their excellent cellist was too polite to fix a ground-rhythm strong enough to carry a little playfulness.

They made attractive music of the Schumann A major, and were as vivid and exciting in its Assai agitato as one had expected. If there is a recipe for making the opening movement sound formally convincing, they have not found it yet, but they went some way toward persuading us that this is genuine quartet-writing—Schumann was manifestly more at ease with a piano on hand. The fervour and enterprise of the Kreuzberger team will certainly ensure that much more is heard of them.

St. John's/Radio 3

Lindsay String Quartet

by ARTHUR JACOBS

For those who, like myself, were as yet unacquainted with Andre Tchaikowsky as a composer, yesterday's premier of his Second String Quartet made an agreeable impression. Here was a craftsmanlike composer able to turn old forms to individual advantage.

Born in Warsaw in 1935, Mr. Tchaikowsky has lived in this country since 1960 and continues to pursue an admired career as pianist. He is shortly to give a solo recital in this same BBC Monday lunch-time series which brought the Lindsay String Quartet to perform his new work. Their command of the music and their sympathy with it were evident, and Bernard Gregor-Smith's decisive cello solos were particularly eloquent.

The BBC presentation was not so happy. Presumably some producer writes, or supervises, the introductions before they are handed to an announcer for that plummy-voiced, holier-than-thou delivery which has rightly been ousted from almost all other radio and TV programmes. The only two things necessary for the listener to know about Mr. Tchaikowsky's quartet were its approximate length (20 minutes) and the fact that its three movements are played without a break. Neither was announced, and instead we had the inexactitude that the last movement was to be "a continuous accelerando."

The three movements follow a traditional sequence—forthright, contemplative, agitated. The middle one is a Passacaglia (owing inspiration to Shostakovich's Sixth Quartet, the composer says) which manages a considerable intensity and never lets the repeated bass-pattern become tedious. The first movement, thanks to strong internal contrasts, grips the ear immediately; the finale speaks in a more wayward and recondite fashion, but entices to further acquaintance.

The programme (to be rebroadcast next Saturday at 1.15 p.m.) was completed by Beethoven's Quartet in E flat, opus 74. A slight maladjustment of intonation seemed to mar the opening of the slow movement, and the headlong pace of the scherzo entailed some loss of melodic definition. The music was conscientiously handled, but the entire conviction which properly belongs to Beethoven was somehow missed.

Philharmonia Season

Peter Maxwell-Davies' *Symphony* will open the Philharmonia's 1978 season. *Symphony*, will have its first public performance at the Festival Hall on Thursday, February 2. The work is the result of a long-standing commission from The New Philharmonia Trust and Arts Council of Great Britain. At the composer's request it will be conducted by Simon Rattle.

Riccardo Muti will conduct Verdi's *Requiem* at the Albert Hall on Tuesday, February 14 with a cast including Renato Scotto, Fiorenza Cossotto, Veriano Luchetti and Yevgeny Nesterenko. Strauss' *Ein Heldenleben* will be the main work when Karl Bohm conducts at the Festival Hall on May 16.

British conductors and artists appearing this season include Andrew Davis, Norman Del Mar, James Galway, Janet Baker, Alfreda Hodgson, John Mitchinson, John Williams and Peter Frankl.

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Centrepiece missing

THE ECONOMIC proposals which President Carter has been expounding to the U.S. Congress during the past few days differ little, either in outline or detail, from what was generally expected. They are a compromise and vulnerable, like all compromises, to attack from both extremes. Their most obvious weakness is that their success will depend on the readiness of Congress to accept a large part of the President's long-standing but inevitably unpopular proposals for economising in the use of energy. This readiness is still in doubt.

The U.S. Administration, like other governments, is anxious to promote economic growth and stamp out inflation at the same time and has come to the conclusion that these aims are not incompatible provided that they are not interpreted in too partisan a spirit. Growth, given the level of unemployment and idle productive capacity, comes first on the President's list, and the rest of the world will not complain about that. The aim of the tax cuts (a large part of which are needed to offset increased social security payments) is to prevent the rate of growth from falling sharply in the second half of this year and to bring about (with the help of structural changes) a gradual drop in unemployment.

Investment

But President Carter has made it clear that he wants the private rather than the public sector to play the leading role in this attempt. His proposed tax reforms, though much watered down, may be unpopular with the business community, but their practical effect will be considerably outweighed by a cut in corporation tax and the maintenance of the investment tax credit. Although the Budget deficit will scarcely be altered on the basis of the new proposals—the President is now looking for its elimination rather later than he originally suggested—it can fairly be claimed that this is due more to tax rebates than to higher Federal expenditure.

This may encourage businessmen, whose reluctance to invest has been due as much as anything to doubts about the new Administration's intentions. But the Administration's new intentions about the control of inflation are far from clear. The President made a brief reference to the importance of firm monetary policy, but nobody can be sure at present what this means for interest rates. His ideas about gradually bringing down the growth of wages and prices by discussing the prospect industry by industry are, if anything, even more vague and unsettling. He has declared himself against rigid or overall guidelines, but it seems likely at present that this part of his policy will be attacked by employers and unions alike. Until it is clear exactly what he intends, at any rate, industry's reluctance to invest may continue.

Oil and the dollar

The third part of President Carter's proposals concerns closer co-operation with the trading partners of the U.S. to bring about a balanced revival in world trade and output. He has renewed his pledge to resist protectionist pressures while appealing to surplus countries to be less cautious in stimulating the growth of domestic demand. But though Japan has now undertaken to move towards the U.S. point of view (and is congratulated for doing so), Germany still insists that it cannot afford to do more. It may be for this reason that the President, while reaffirming the need to avoid disorderly conditions in the foreign exchange markets, went out of his way to insist that "economic forces must continue to be the fundamental determinant of the value of currencies." The German authorities may interpret this to mean that the U.S. Administration is reconciled to the likelihood of a continuing large trade deficit and a further gradual decline in the dollar exchange rate. Until Congress has acted to reduce the level of U.S. oil imports, indeed, the centrepiece of President Carter's economic policy will remain missing.

Time for quiet diplomacy

THE ABRUPT termination of last week's Israeli-Egyptian peace talks, after only 36 hours and at such an early stage in the real negotiating process, was bad enough for the prospects for a Middle East peace settlement. The rupture, though by no means total, has now been worsened by the public utterances of both President Anwar Sadat of Egypt and Mr. Menahem Begin, the Israeli Prime Minister. Both leaders have to take into account domestic public opinion as well as the wider world audience, but might have chosen their words more carefully. While their statements have clarified the differences which at present seem almost irreconcilable, they have further retarded the course of the promising direct dialogue started as a result of Mr. Sadat's decision to visit Israel in November.

Sadat's speech

True to his somewhat impetuous character and also the outspoken traditions of Arab rhetoric Mr. Sadat could be seen as doing most to exacerbate the tension caused by his recall last Wednesday of Mr. Mohammed Kamel, his Foreign Minister. In particular, he charged Mr. Begin with having behaved "arrogantly," even if some observers regarded the Egyptian leader's speech to the People's Assembly on Saturday as relatively restrained. For his part Mr. Begin, with a characteristic sensitivity has over-reacted with his allegations of "anti-semitism" — particularly with respect to Egyptian press comment.

One must hope that Mr. Sadat will heed his plea for a "truce on public declarations to give the negotiations a real chance." Mr. Sadat acted precipitately in calling his delegation home last week whatever the provocation which he felt the Israelis had given him. Some progress was being made with five out of seven points on the agenda having been agreed. Yet even though the talks were at a procedural stage concerned with drawing up guidelines for negotiations on substance, inevitably they touched on the big issues. Clearly, Mr. Sadat thought that their continuation would be a charade, in which his pan-Arab commitments would not allow him to take part, unless Israel conceded the principles of withdrawal from Arab territory occupied in 1967 and Palestinian "self-determination." In practice, there would be scope for some flexibility in the application of both concepts. With the good offices of Mr. Cyrus Vance, U.S. Secretary of State, discussion about them surely could have continued with some, albeit slender, hope of success.

Awaiting an improvement in the climate for negotiations, Israel has decided not to proceed for the time being with the parallel Defence Ministers' military talks in Cairo. Quite apart from the need to end exchanges of public recrimination, there would seem no point in the latter proceeding on their own. The first round had ground to a halt because the parties ran up against the political problem posed by Israel's determination to keep the settlements in Sinai.

Egypt could hardly be expected to sympathise with the somewhat specious Israeli argument that they should be regarded as "early warning stations" and, therefore, an aspect of security. Much more meaningful would be the various safeguards offered by Mr. Sadat which would all involve effective limitation of Egypt's sovereignty over Sinai.

U.S. optimism

After last week's setback which highlighted the enormity of the gulf to be bridged between Israel and Egypt—let alone Jordan, Syria and the Palestinians — there appears little to justify the guarded optimism of the U.S. about a resumption of contacts. Neither side has renounced the quest for a directly negotiated peace although Mr. Sadat appears set now to concentrate his efforts on persuading the U.S. to bring heavy pressure on Israel. Mr. Alfred Atherton, Assistant Secretary of State, will remain in the region where he is expected to shuttle between the two countries in a bid to save the peace initiative. Last week Dr. Henry Kissinger, Mr. Vance's predecessor who engineered Israel's disengagement agreements with Egypt and Syria, suggested that the parties concerned should "go back to some quiet talks." The time has, indeed, come for quiet diplomacy instead of the practice of conducting negotiations through the media.

Disputed task of teaching the old phone new tricks

BY JOHN LLOYD

"INTERCONNECT." This little piece of jargon currently doing the rounds in telecommunication circles has acquired the status of a code. Deciphered, it means: the Post Office's monopoly over telecommunications must be destroyed.

The reason "interconnect" has become the slogan of a movement goes back to a judgment from the American Courts in 1968, when Carterfone—a relatively small independent telecommunications equipment supplier — protested against the monopoly which AT&T, and its subsidiary, Bell, exercised over subscribers' equipment. At the heart of the protest there was a dispute over whether or not independents should be allowed to "interconnect" their equipment to AT&T cables. The Federal Communications Commission backed Carterfone: and the growing U.S. "interconnect industry" dates from that period.

(Ironically Carterfone has recently been acquired by Cable and Wireless, the U.K. State-owned telecommunications suppliers. But that is another story.)

As the interconnect lobby sees it, the parallel between the U.S. of 1968 and the contemporary scene in the U.K. is close. The largest difference is that the British monopoly is a state, rather than a private, one, and thus harder to crack. But the principles, the lobbyists believe, are the same.

Those principles are: that in any given country, the State should have control over the public switching network, because it is a "natural" monopoly. However, the "natural" monopoly should end at the individual's wall, where the telecommunications authority installs the plug. After that, it is the right of free enterprise to "interconnect," assuming that the telecommunication authority's code of practice is obeyed.

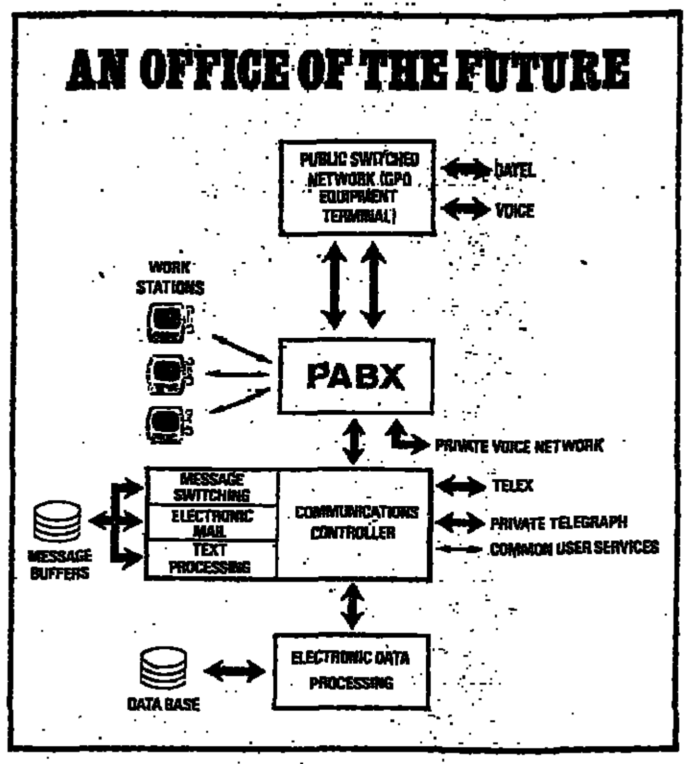
But, as in the U.S ten years ago, in the U.K. to-day there is no such right. In the U.S., AT&T had a *de facto* monopoly; in Britain the monopoly is *de jure*. The Post Office Act (1969) specifies that "the Post Office shall have throughout the British Islands, the exclusive privilege of running systems for the conveyance, through the agency of electric, magnetic, electro-chemical or electro-mechanical energy of (a) speech, music and other sounds; (b) visual images; (c) signals serving for the impartation . . . of any matter otherwise than in the form of sound or visual images; (d) signals serving for the actuation or control of machinery or apparatus."

In practice the Post Office, as most will hasten to say, is very reasonable.

It allows manufacturers to sell PABXs (Private Automatic Branch Exchanges) to customers provided they are over 100 lines in capacity; it licenses companies to produce "modems" — modulator - demodulators, which convert the output from a computer into a signal which can be sent through a wire; and it permits the sale of telephone answering machines and telephone-linked burglar alarms.

But for the interconnect lobby, this is not enough and wrong in principle. Their point of view is being increasingly voiced; not surprisingly, because the two leading champions of interconnect are the American multinationals, ITT and IBM. Both companies want markets for a range of products they are developing.

IBM's word-processing work station . . .



. . . its integration in the office system . . .

Ashley Ashwood

. . . the control room at Air Call.

Common vision

In both cases these developments fall in with a common vision of what the future holds for their products. The vision is of an office in which telecommunications and word processing have streamlined almost every office function.

The diagram, which is the product of Mr. Alec Kingsmill, market development manager for ITT Business Systems Group (U.K.), provides an example of what is moulding the strategies of the very large communications companies.

At the heart of the organisation is the Communications Controller, who processes incoming and outgoing communications in all forms—mail, electronic mail, telephone calls, data access and retrieval, telex, telegrams—and switches the messages, or delays them, through a series of buffers or holding mechanisms, to their destination. The system assumes that the individual unit will be a secretary/executive work station containing a visual display, unit, telephone and a keyboard.

More important, the system assumes that the control of the Post Office ends at the office wall: thereafter, the subscriber should be free to arrange his internal communications as he sees fit. This is necessary, the telecommunications companies argue, because a system using Post Office-approved equipment, installed and maintained by Post Office engineers, will lack the required flexibility.

ITT and IBM have products on the market which would benefit from the liberalisation of Post Office control. Standard Telephones and Cables, ITT's major company in the U.K., has a Loudspeaking Deltaphone on the market which does not have Post Office approval. Both IBM and ITT manufacture PABXs of less than 100 lines which they cannot sell on the open market.

The companies had an opportunity to air their views to the Post Office Review Committee (the Carter Committee) early in 1977. STC was blunt: "What we recommend is that a private subscriber should be able to ask the Post Office Telecommunications to bring the public network to his premises. The subscriber should be able to buy or hire telephone/telecommunications apparatus from the Post Office or from companies in the private sector."

IBM made effectively the same point: "Some consideration should be given to the possibility of separating the public network from the services which use it, based on specific devices, such as telephone sets, PABXs and terminals . . . we feel that the two notions of the network and the using services should be separated organisationally and operationally, as they are currently separated administratively, and that the interface between them should be equally accessible by other parties."

Both companies recommend the adoption of the "black box" protective device on lines which stops any malfunction in the apparatus transmitting itself into the public switching system. The "black box" principle came into wide use in the U.S. after the Carterfone judgment cleared the way for the interconnection of a wide variety of types of apparatus.

No doubt the companies continue to exert what pressure they can privately. Publicly, both are awaiting the Government's judgment on the many recommendations in the Carter Committee's report, and they are no doubt hoping that any future Tory government would treat their position sympathetically. Certainly Mr. Norman Lamont, the Conservative industry spokesman, whose brief includes the public sector, is largely persuaded by the interconnect case.

But as the two giants wait, more raucous support is heard. Air Call, the car telephone and radio paging service, has formed a body called the National Association of Radio Communication Services as a kind of anti-monopoly alliance. The Association believes that private enterprise throughout the subscriber apparatus market would stimulate sales. Understandably, it is more concerned with private radio communications—an area in which it claims to have had bitter experience.

Air Call says that in establishing both its car phone service, and its paging service, it has been continually hampered by the Post Office. The Corporation decreed that the service could not be person-to-person, but had to rely on the operator to relay messages. It barred Air Call from providing car phone services in those areas where it offered the same service itself (though it marketed the service some years after Air call).

Air Call's chairman, Mr. John Stanley, has recently been lobbying MPs and claims that many MPs in both major parties are open-minded about the issue.

The telecommunications managers — who order and oversee telecommunications equipment for the larger companies—have recently re-iterated their strongly-held belief in liberalisation. At their annual conference in Coventry in the autumn, delegates to the Telecommunications Managers Division of the Institute of Administrative Management, professed their attachment to the American way of communicating.

Endanger users

But the Post Office Corporation does have an answer to its growing army of critics, and it stands by it, apparently immovably. At the root of the Post Office case is its concept of an "integral" network, which it takes to mean the switching network *and* the apparatus connected to it. It uses the definition because, it claimed in its evidence to Carter: "If a customer's telephone installation is wrongly designed, installed or maintained, it can (a) endanger telephone users, staff and the system itself; (b) interfere with other people's calls; (c) annoy other users and impair the efficiency of the public system; (d) give poor performance on calls . . . : (e) involve excessive manpower in investigating service complaints."

The Corporation argues that it must research and develop apparatus because it interacts so closely with the main network: that private enterprise could only be more efficient and/or cheaper if it "creamed off" the more profitable parts of the apparatus business, and left the unprofitable parts to the Corporation; and that the "black box" is a misnomer for a variety of costly devices which are finding less and less favour in the U.S.

As for customer choice, the Post Office argues that it is doing the best it can—it is "increasingly moving in the direction of variety," as its evidence to Carter has it. There are now 22 types of large PABXs approved for sale, a choice of 30 handsets and a wider range of smaller PABXs will soon be on the market.

The Post Office unions wholly agree with the Corporation's position. The reason is simple: the unions have acquired both power and responsibility, and wish to retain both. They are certain that private enterprise would be tougher in declaring redundancies, and they are unconvinced that it would be a more imaginative technical innovator.

The present Government will support the monopoly—though it is refraining from any comment while the Carter report is under consideration. Mr. Gerald Kaufman, the Industry Minister who covers the public sector, is a Post Office enthusiast who does not take arguments about the superior efficiency of private enterprise at their face value.

These are the forces deployed: the battle still has to be joined. It will not be an easy one for the "interconnect" lobby to win, for the Post Office and the unions are in a strong position. But the lobby has little to lose by trying.

MEN AND MATTERS

Post-Poullain at Girozentrale

The administrative Council of the Westdeutsche Landesbank Girozentrale may have pulled off rather a neat trick by appointing Johannes Voelling as the new executive chairman to replace Ludwig Poullain, who was sacked last week.

As deputy chairman since the bank was formed by merger in 1969 Voelling took care of most of the day to day business. His appointment, therefore, carries the soothing message of continuity and stability. In personality terms, however, he could hardly be more different.

At 55, the new chairman is actually three years younger than Poullain, yet he seems very much more the banker of the old school which Poullain, with his Giacomettis and his ocean racer, often seemed to enjoy thumbing his nose at. At joint appearances in the past, Voelling's dark suit always formed the perfect contrast to Poullain's customary brightly-checked sports jacket.

Although there have been no worries about West LB's standing (and the Bonn Government has had its own discreet look at the books just to make sure), one of the new chairman's most important jobs will be to reassure the state authorities that the bank hasn't outgrown their control.

Methodical, and not without a dry sense of humour, Voelling will need a canny sense of how far to push the bank's claim to independence from its political masters. But he has the advantage of being an SPD party member himself, and of having won from the Administrative Council a promise that business will carry on as usual.

Poullain himself lost political support partly because of the feeling that growth of the bank's foreign operations had somehow obscured the original grounds for setting up the bank which were to provide cheaper credit and competition to the private banks at home. But, the fact that Walter Seipp, the man who worked most closely with Poullain in building up the foreign side, has been promoted as one of two deputy chairmen indicates that the bank's foreign activities will continue to play a significant role.

As for Poullain, he is now faced with what may turn out to be a long struggle through the labour courts to have his dismissal revoked and establish his earlier voluntary resignation as a more dignified, and better-paid, form of departure from the centre of the West LB stage.

"What will this mean to the green pound in our pocket?"

Dry option

A curious mixture of rivalry and co-operation has characterised the efforts of both Amsterdam and London to set up their respective traded share option exchanges. The basic function of the exchanges will be to provide the stock market with the sort of hedging facilities which have long been a feature of foreign exchange and commodity markets.

There has been a certain degree of scepticism about the proposed exchange at the London end where trading in the initial limited list of only eight high-volume stocks is expected to begin "sometime within the next three months."

The Dutch have rather more ambitious starting plans and have pencilled in April 4 as their target opening date for their "European Options Exchange" which hopes to have a list of 30 international, including British, stocks.

Yesterday the Board of the Amsterdam exchange announced the appointment of former Catholic Party MP, the 47-year-old Tjerk Westerterp as the new exchange's first general manager. His last job was as Minister of Transport and Public Works. As such he was responsible, inter alia, for maintaining Holland's dykes. They're a cautious lot these option traders.

Struck by arrow

The Viscount Massereene and Ferrard is one of those Peers who takes his membership of the House of Lords seriously. He is for ever asking questions on a wide variety of topics. To-day he is asking Her Majesty's Government two questions — why the stock excuse from British Rail to passengers alighting at their destination from a train arriving late is, invariably, "shortage of staff" and secondly to ask HMG to "reconsider their refusal to legislate to make the licensing of crossbows compulsory."

The first question clearly refers to one of the crosses we have to bear nowadays — but crossbows? Unbeknown to me, and I venture to say to most of us, the modern crossbow has developed into a very sophisticated and lethal weapon, the Viscount told me yesterday. It can now be obtained from most gunsmiths complete with telescopic sights, steel tipped arrows and a mechanical action capable of killing sheep, stag or man at a hundred yards — in complete silence. Yet it can be bought over the counter with no questions asked and no license required because it is not a "barrelled weapon" and as such does not come under the aegis of the Firearms Act, although infinitely less dangerous weapons like airguns do.

There has been only one recent case of human death by crossbow — a man killed his brother in 1975 — but it is rapidly becoming a favourite weapon of poachers. What particularly worries the Viscount however is the danger to hikers on Britain's 15,000 public footpaths. Due to their high velocity crossbow arrows fly in a straight trajectory and sooner or later he fears a person or vehicle is likely to be transfixed. Who knows, this fate might even befall a train. I can hear the station loud-speakers now, "Sorry for the delay, your train has been struck by crossbow."

Name of game

The latest list of companies that have been compulsorily wound up has 59 names upon it. One in particular struck our eye—it was called "The Great American Success." That's capitalism.

Observer

SOCIETY TO-DAY

Why South Africa is now a bad risk

[...] AFRICA has become a [...]sk. There is still money [...] made, but the really [...]ng opportunities are few [...] far between, and the [...]n-term outlook is heavily [...]d. Yet Britain's economic [...]t out there is still im[...], and a sudden collapse [...] Republic could be a [...] blow for the British [...]ny.

[...] follows that a prudent [...] Government would even [...]e thinking about how to [...]age the orderly disen[...]ent of our economy from [...]. On the direct trade side [...]hould present little diffi[...] the really sticky problem, [...]every point of view, is the [...]evel of private investment. [...]ore developing the argu[...] any further, let us take [...] of the above propositions [...] more slowly. That South [...] has become a poor poli[...]risk should be plain to all [...] take even the slightest [...] of events out there. The [...]k over the next few years [...] surely be for an increase [...]il disturbances, a gradual [...]nent in the number of [...] of violence against the [...] and a continuation of the [...] of repression.

[...]ne of this means that a [...]ry defeat of the Afrikaner [...]nment is in the offing. [...] are still far too powerful, absolutely and relative to [...]onceivable combination of [...] African forces, to be in [...]r of any such thing. But [...]tability that has attracted [...] investors to the Republic [...] past is undoubtedly being [...]d, and the pace of that [...]n must surely increase. [...] the same time the attrac[...]ess of the South African [...]my itself is likely to be diminished partly for political reasons. It is a strong economy, and it may be that official prognostications to the effect that it has well and truly "bottomed out" of its three-year recession are justified.

But it is a matter of guesswork as to whether the poor *profits* record of recent years will be followed by anything more than a moderate recovery, and it is perhaps a little more than guesswork to point out that in the past the South Africans have relied on a steady inflow of foreign investment to stimulate internal growth, while in the future that inflow may not be forthcoming. In short, the Republic can no longer guarantee a return high enough to justify the increasing political risk.

Yet . Britain's economy remains heavily dependent on that of South Africa. Its relative importance in trading terms has declined: in 1966 it was our fourth most valuable customer; ten years later it was down to 13th place and it is still falling — to be overtaken, as the chart shows, by countries like Nigeria. But its annual purchases of manufactured goods are still important. Certain industries, and areas like the Midlands, would register an increase in unemployment if the custom was suddenly cut off.

Of far greater moment is the level of direct investment. Estimates of its market value vary; the figure the Department of Trade was using last summer was £3bn. This would represent some 60 per cent. of all foreign investment in the Republic. About 400 British firms are involved, including nearly all the most well-known ones, and these are allied to about a thousand subsidiaries or branches inside South Africa.

There is some evidence to the effect that this investment is not growing, at least in any serious sense. The political message seems to be sinking in. But the residual stake is still very large. The American fear that the British economy might be torpedoed by *taking* sanctions against South Africa too far remains well-founded.

Unfortunately for those who base their arguments entirely on a short-term view of British interests, this equation, too, is changing. It is not hard to imagine tactical conversations in Washington in, say, two or three years time in which the income from North Sea oil is seen as a bolster for Britain while the politics of a southern Africa in which the flames are creeping ever higher seem to the Americans to point remorselessly to a tougher economic policy.

That is, of course, only one possible source of a medium- to long-term threat to that £3bn. worth of British investment. All I wish to say about the logical consequence for British policy in these circumstances is that every signal points to "switch" —let us take out what we can while the going is good.

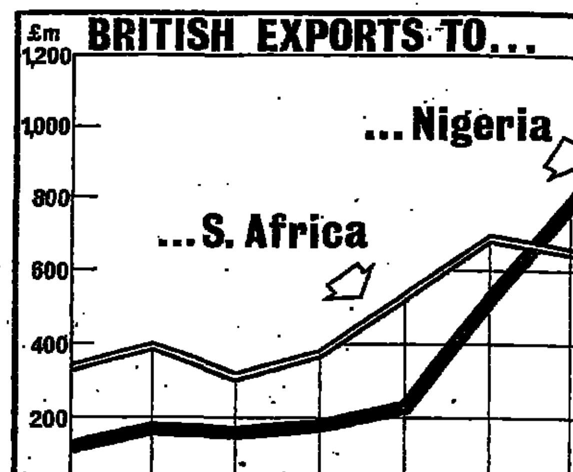
"...in the past the South Africans have relied on a steady inflow of foreign investment to stimulate internal growth . . . in the future that inflow may not be forthcoming. In short, the Republic can no longer guarantee a return high enough to justify the increasing political risk."

But this does not take care of the immediate future, which is also by no means simple. For the pressure on British companies with interests in South Africa to pay decent wages, negotiate with black trade unions, and tailor their general policies to the needs of their non-white employees is increasing.

Since May 1974 British companies have been urged by the Government to follow its guidelines for good practice in South Africa. This policy was weakened in December 1975 when parent companies holding less than half the equity of South African subsidiaries were excluded and it is open to question whether the guidelines have had more than a marginal effect on the actual behaviour of most companies.

An organisation called Christian Concern for Southern Africa, which issued a report on the matter yesterday, says: "After 3½ years the British code of practice must be judged at best unproven, at worst a dismal failure." It is even more trenchant about where the responsibility lies—"with the British Government."

The reason is that the entire system has consisted of little more than an attempt by a few Department of Trade officials to winkle information out of a long list of companies, many of whom were extremely reluctant to co-operate. The information thus collected was filed. There is now a file in the House of Commons library, but that hardly constitutes the widespread publicity that alone would move the more recalcitrant companies.



This lesson may have been learned by those who are trying to find ways of implementing the new European Economic Community Code of Conduct, which was promulgated by the Foreign Ministers of the Nine on September 20. The new code differs from the British one in laying special emphasis on developing relations with black trade unions inside South Africa—but apart from that it could be as ineffective as its predecessor if governments do not provide the necessary impetus towards enforcing it.

In yesterday's report, Christian Concern sets out a number of specific recommendations about how best to apply the Code. It has already put these to the Secretary of State for Trade, Mr. Edmund Dell, and received a not unsympathetic reply. Mr. Dell is now seeing the TUC and CBI. He will no doubt issue fresh guidelines in due course.

But the Christian Concern goes further than that. It wants a policy of enforcement of what is in essence a voluntary code—citing export credits, double taxation relief and the eligibility of firms to receive Government contracts as areas in which means of enforcement could be found. It is perhaps on more realistic ground when it calls for a Parliamentary Committee to oversee the entire scheme, arguing that only in this way will the desired publicity—intended to shame the worst firms into action—be provided.

This is particularly sensible in view of the organisation's own argument that the Code is more likely to be useful in changing attitudes in Europe than in any direct beneficial effect on either the economic or the political life of blacks in the Republic. In my view, an increase in black wages would certainly be welcomed by the recipients—but beyond that, real change in South Africa will only be brought about by less genteel means than the discreet nudges of enlightened businessmen.

So far, I have not mentioned political morality. This is a deliberate omission, since the essence of the present article is that the hard political and economic equations have now changed in such a manner that for Britain the best insurance must be a policy of economic disengagement.

But very few people in this world really believe that one can make all one's judgments in a moral vacuum. Every individual is governed by *some* notion of what is valid according to a particular code of ethics, however much he or she may protest some such nonsense as "profits are profits, never mind the source." Some may disagree with my own view that in a world in which the overwhelming majority of people are not white it is neither intelligent nor moral for the West to act as a prop for the South African regime—but that there is no truly human judgment without some morality I have no doubt.

For a Labour Government the moral element in any policy towards South Africa should be plain. A great deal of time and energy has been spent by the Labour movement in denouncing apartheid, and if the quieter voices within that movement have sometimes pointed out that so many thousand jobs in such and such a British works are dependent on this or that South African contract, that does not alter the moral argument, only its practicality.

Fortunately, we are now at a turn in the course of events at which it may be possible to devise a policy that is both right and practical. For the short-term, the Foreign Office and the Department of Trade can hardly do less than produce a convincing *means of encouraging* British companies to carry out the EEC code of practice. If this includes oversight by a Parliamentary committee, so much the better.

For the medium term, we need a special study by officials of the advantages and disadvantages of a policy of deliberate switching of British investments out of the Republic. It is not a simple subject, and a serious study would take both time and the services of people of rare ability. But the more one considers the facts, the more it becomes apparent that it is in our own best self-interest that such a process be started as soon as possible. The *bad risk is likely to grow worse*, not better.

Joe Rogaly

Letters to the Editor

[...]ynthetic [...]ubber

[From] Mr. D. Warburton.

[Sir],—I refer to your report [...]uary 16) that the building [...] synthetic rubber plant, [...]oted as part of the Govern[...]'s industrial strategy, has [...] abandoned. The sector [...]ing party for synthetic [...]er, on which this union was [...]esented, identified a clean opportunity of adding value [...]ome of our North Sea feed[...]k, thereby creating jobs and [...]table exports in what the [...]king party judged to be a [...]ketable and profitable pro[...]t. The employers' side and [...]es union side on the work[...] party concurred in this [...]tement. I am not aware that [...] Government has made a [...]sion on this matter.

[...] national debate is currently [...]r way as to the best use [...]hich our North Sea wealth [...]be put. Some of the North [...] feedstock required to source [...] synthetic rubber plant is [...]ntly being burned in the [...] energy market. When the [...]h Sea operators have [...]ered their costs, revenue [...] this feedstock, in the form [...]yalties and petroleum tax, [...]low to the U.K. Exchequer. [...] issue at stake in building [...]lant is whether the Govern[...] is prepared to forego some [...]nal revenue so that the [...]tock can be priced at a [...] which will make this pro[...]viable. In essence, there[...] the pros and cons for this [...]ct boil down to the [...]o which we put our North [...]ealth. Both the employers [...]nions in the industry are [...]e opinion that these re[...]es should be made available [...]ate much needed jobs and [...]ts. In the GMWU docu[...] "U.K. Chemicals—the [...] Forward," we estimated 3,000 construction workers [...] be required for three [...] that 1,500 permanent jobs [...] be created, and that the [...] of output at 1976 prices [...] be £200m. per annum. [...] output would save imports [...]tural rubber and the bal[...] would be exported.

[...] many ways this project [...]ghts the extent to which [...]ational interest and the [...]st of multi-national oil [...]rations, from which I sus[...] your reporter got much of [...]pinions contained in the [...]t, diverge. It fits in with [...] strategy to burn in the [...]energy market, a material [...]ich a U.K. concern could [...]ably add value, and could [...] much needed jobs and [...]ts.

[D.] Warburton

[...]onal Industrial Officer),
[...]al and Municipal
[...]ers' Union
[...]e House, *Ruxley Ridge,*
[...]ate, *Esher, Surrey.*

[C]onservative [co]nfidence

[From] the Prospective [Parlia]mentary Candidate, [I]sle of Ely

[Sir],—As a political journalist [...] Rutherford is, of course, [...] to insist that the Con[...]ives who "concede" [...]ary 20) Liberal victory in [...]n seats should remain un[...]d. They express very differ[...]iews, however, from the [...]rvatives I speak to in [...]minster, the Isle of Ely or [Ce]ntral Office.

[...] of the pleasanter prob[...] of the Conservative [...]isation in the Isle of Ely [...]cent months has been to welcome optimism turning [...] welcome complacency. The [...]rvatives in the constitu[...] now have a record member[...] a record income and a record number of branches. It is a very different state of affairs from the early summer of 1974, when it was hard to find Conservatives who thought that the Liberal majority would be under 10,000. As it happened their majority was cut from nearly 9,000 to 2,685 (only a handful of Liberal candidates in the general election had a worse result).

The Liberals in the Isle of Ely *now have no county* councillors, only one district councillor and they have just failed to complete the purchase of new premises.

To most Conservatives these are not very obvious signs of a Liberal recovery.

Dr. Tom Stuttaford.
Snowre Hall,
Hilgay,
Downham Market,
Norfolk.

Libs. losses in Ely

From the Conservative Agent Isle of Ely

Sir,—It would be interesting to know which Tories Malcolm Rutherford approached before coming to the startling conclusion (January 20) that the Conservative Party concedes that Clement Freud will probably hold the Isle of Ely at the next election.

Certainly no Conservative of my acquaintance, either inside or outside the constituency, has expressed this view at any time since the October 1974 General Election. Nor has any national journalist who has visited the constituency reported similar conclusions.

Mr. Freud sits uncomfortably on top of a swing of only 2.6 per cent. The Liberal Party organisation in the constituency, which blossomed briefly after the by-election in 1973, has now all but vanished. The Liberals have made no headway in local government, holding only one of the 58 district council seats in the constituency, and none of the county council seats. For the electors of the Isle of Ely, who have never elected a Socialist, their MP's strong support for the Lib/Lab Pact was the last straw.

Faced with a strong and confident Conservative organisation (and an increasingly strong and confident Labour Party) the question is not whether Mr. Freud will retain his seat, but by how many votes he will lose it.

Andrew Varney.
Conservative Office,
Creek Road,
March,
Cambridgeshire.

Short-term thinking

From Mr. J. Huxtable.

Sir,—In his excellent Lombard column on the Expenditure White Paper (January 18) Peter Riddell is right to argue for a better balance of public spending. The White Paper charts the continuing growth of current expenditure over the last five years, showing it to have expanded by a fifth in volume terms and to have risen from 76.6 per cent. of the total in 1972/73 to the present absurdly high level of 87.2 per cent.

Some people — particularly those in Government employ— might seek to provide justification for the growth of most items of short-term current expenditure, but what can have no justification is the effect this growth has had on longer-term capital spending, which has fallen almost by a half in volume terms since 1972/73 and accounts now for a miserable 12.8 per cent. of total public expenditure.

The point of the White Paper of course is to show the Government's spending plans for future years, but there is regrettably no indication of any intention on the part of this Government to make any significant switch of priorities back to capital programmes. The White Paper shows current spending taking between 84 per cent. and 85 per cent. of the total in each of the next four years, but if account is taken of capital programmes' likely share of projected underspending each year the proportion *stays above 85 per cent.* and increases steadily year by year back towards the present level.

The crushing weakness of the Government's spending plans is the essentially short-term nature of the thinking that appears to lie behind them. Public expenditure will increase by some £4.5bn. between 1977/78 and 1978/79 but of this only £400m. —fraction of previous cuts—goes to construction work. Even within the expanding total of current expenditure, resources are to be switched towards shorter-term items and away from others—such as road maintenance—with a longer-term pay-off. All 54 English county councils agree that at the present level of maintenance spending their roads could soon disintegrate but this is apparently not a sufficiently short-term priority for the Government, so maintenance spending is to decline still further.

It is perhaps inevitable that a weak Government approaching an election should behave as if there were no to-morrow, but the awful truth is that short-term thinking such as this has ruled in high places for most of the decade.

John Huxtable.
7, Landward Court,
Harrowby Street, W.1.

Imports of footwear

From Mr. W. Calvert.

Sir,—Mr. Adler's reply (Jan. 12) to my earlier letter misrepresents the situation on footwear imports in two important respects.

It is not difficult to find variations in trade mark-ups even on identical footwear. I was of course referring to wide differences in mark-ups between imported styles and similar U.K.-made styles which often result in the U.K. product being sold at a lower price retail even though more expensive ex-factory.

The U.S. government restricted footwear imports from both Taiwan and South Korea. As ours has so far restricted Taiwanese imports only we certainly agree with Mr. Adler that we should follow their *example in this respect.*

More generally our complaint is not against all imports, but only against imports from countries where pay is so low that our industry cannot hope to compete on price. Basically we feel that footwear made in low cost countries could not only destroy our industry, but is in any case needed far more by their own people than by ourselves. We feel also that there is merit in the union's suggestion that before low cost countries have access to markets of developed countries, they should have to conform to at least International Labour Organisation (ILO) standards on conditions of work.

W. M. S. Calvert.
British Footwear Manufacturers Federation.
Royalty House,
72, Dean Street, W.1.

No spur to Telford

From Mr. A. Watkinson

Sir,—Mr. A. R. Longhurst is quite right (January 20) in pressing for the construction of the M54 Telford spur motorway. In June 1977, I drove along the antiquated A5 from Lichfield to Shrewsbury and I am only too well aware of what a nightmare it is.

As the M6 near Birmingham is also heavily overloaded it would seem that the best solution would be to extend the M54 from Telford to Tamworth where *it could join the proposed M42,* which is urgently needed to by-pass Tamworth and link Birmingham with the M1 and the north.

A. J. Watkinson.
The Cottage, 3, Otley Road,
Harrogate, North Yorks.

Strains in the U.S. banks

From Mr. R. Atkins

Sir,—Anthony Harris's thought-provoking article in the Lombard column (January 17), "Strains in the U.S. banks" is, I believe, fundamentally incorrect.

Mr. Harris states that: "When central banks buy securities from the U.S. authorities . . . the U.S. money supply goes down." Sales of U.S. Treasury debt, however, are related to official projections of the budget balance with due allowance for Treasury cash balances. Thus, if the Bundesbank buys U.S. Treasury securities it may take marketable or non-marketable issues, but in neither case is U.S. money supply reduced. In the first instance, the sale of marketable securities by the U.S. Treasury to the Bundesbank reduces the U.S. Treasury's need to tap the domestic market. In the second case, where the U.S. Treasury *supplies non-marketable securities,* the Treasury's cash balance increases so again its need to tap the domestic market is reduced.

The impact of foreign central bank buying of U.S. Treasury securities on U.S. money supply (whoever supplies those securities), is neutral. Thus "excessive (domestic bank) lending" will have its full impact on the U.S. money supply and under a system of "practical monetarism" the Federal Reserve will raise interest rates in an attempt to bring the monetary aggregates back under control. The replacement of Dr. Burns by Mr. Miller may, of course, mean that Federal Reserve policy will change but that is another matter.

R. G. Atkins.
18, London Street, E.C.3.

Value-added information

From Mr. G. Della-Porta

Sir,—It appears to be everyone's expectation that things begin at 10 per cent. The front page caption (January 16)— "Optimism at Treasury over pay rises"—*was* optimism. The article concluded: "Rises would have had to be between 5-6 per cent. to meet the overall earnings target of 10 per cent."

Value-added information introduced to management people and non-management people at the same time, can gain equal or more commonsense from the latter on the basic point—can the business afford it. Value-added information replaces cleverness with honesty. People like it. Why not try it?

Gerald Della-Porta.
Premier Drum Company,
Blaby Road, Wigston, Leicester.

To-day's Events

GENERAL

Provisional unemployment figures for January.

EEC Agriculture Ministers end two-day meeting, Brussels.

Second session of open discussions on nuclear energy begins, Brussels (until January 26).

EEC Commission and Norwegian authorities begin three-day meeting in Bergen in attempt to agree fishing quotas.

Special meeting of Parliamentary Labour Party discusses motion calling on Government to abandon its plans for guillotine on European Assembly Elections Bill.

National Farmers' Union annual meeting opens, Central Hall, Westminster. Mrs. Margaret Thatcher, Opposition leader, is main speaker at NFU annual dinner, London Hilton, W.1.

Thanksgiving Service for Baroness Spencer-Churchill, Westminster Abbey, noon.

Mr. David Steel, Liberal Party leader, speaks at Newspaper Conference lunch, Press Club, E.C.4.

Mr. Jack Jones, general secretary, Transport and General Workers' Union, speaks at National Export Year conference, Birmingham.

National Society for Cancer Relief launches £1m. appeal to industry.

Sir John Methven, CBI director-general, speaks at British Printing Federation lunch.

Prime Minister presents special award to Mr. Marcus Lipton MP at Lambeth Town Hall, S.W.2.

Mr. Len Murray, TUC general secretary, launches Health Education Council's new fitness campaign, Hotel Russell, W.C.1.

Hirex Exhibition opens, Wembley Conference Centre (until January 26).

PARLIAMENTARY BUSINESS

House of Commons: Scotland Bill, committee.

House of Lords: Medical Bill (HL), report stage. Consumer Transactions (Restrictions on Statements) Amendment Order 1978. Debate on EEC report on equality of treatment for men and women on social security.

Select Committees: Expenditure (Trade and Industry sub-committee) Subject: The Fishing Industry. Witnesses: Ministry of Agriculture; Foreign Office (10.15 a.m., Room 16). Nationalised Industries (sub-committee A). Subject: British Airways' report and accounts. Witnesses: British Airways (4 p.m., Room 8). Expenditure (Defence and External Affairs sub-committee). Subject: CPRS (Think Tank) review of overseas representation. Witness: Dr. David Owen, Foreign Secretary (4.15 p.m., Room 16).

COMPANY RESULTS

Amalgamated Distilled Products (half-year). David International (half-year).

COMPANY MEETINGS

Elson and Robbins, Nottingham, 11. Hensher (Furniture Trades), Great Eastern Hotel, E.C., 12.

COMPANY NEWS + COMMENT

Rank Organisation near £49m. increase

WITH THE Rank Xerox associate companies increasing their trading contribution 77.4 per cent. to £104.96m. pre-tax profit of Rank Organisation climbed from £75.39m. to a record £124.46m. in the year to October 31, 1977.

Of the £46m. increase by the Rank Xerox operations £29m. was derived from exchange benefits arising from the strengthening of sterling against the U.S. dollar and other currencies, Mr. Harry Smith, chairman, says. The Rank Xerox share of trading profit increased in the year from 61 per cent. to 71 per cent.

Turnover of the Rank-owned operations rose from £426.32m. to £442.67m., and Rank's trading profits were £37.96m. compared with £32.6m. Other associate companies contributed £4.35m. (£5.15m.), taking the total trading profit to £147.27m. (£96.91m.), before interest charges up from £21.3m. to £22.81m.

At halfway the group reported pre-tax profits some 86 per cent. ahead from £32.78m. to £61.07m.

Mr. Smith says the 16 per cent. improvement by Rank Organisation-owned companies demonstrates excellent progress in a year when many operations were experiencing difficult trading conditions. The trading profit would have been almost £3m. higher had there been no change in the exchange rates ruling at October 31, 1976. Rank Xerox results exclude re-charges by Xerox Corporation.

Taking into account the efforts the group is making to improve operating efficiency and the underlying growth for Rank Xerox, further improvement in profit before currency adjustments is expected in the current year. The chairman looks to the longer-term prospects with confidence.

After tax, minority interests and extraordinary items, attributable profit comes out at £56.5m. (£41.71m.). The £11.66m. of extraordinary debits (£6.3m. credit) are made up of profits less losses of £8.31m. on the disposal of properties, a provision of £7m. for the diminution in value of remaining long-term investment properties, provision of £2.53m. for losses on the cessation of businesses and an £8m. provision against the costs of cancellation of an onerous hotel lease in Belgium.

The trading profit was arrived at after losses incurred by Rank Radio International of £3.17m. (£5.77m.) before tax relief.

The final dividend is increased from 4.939341p net per 25p share to 5.848622p, which takes the total for the year to 7.96p against 7.2p last year. In the current year the interim dividend will be raised to reduce disparity.

Earnings per share are given at 39.2p compared with 20.2p.

Rank Precision Industries (Holdings), a subsidiary of Rank Organisation, recorded a £60.86m. (£37m.) pre-tax profit in the year on turnover of £39.8m. (£35.15m.). The result includes £52.48m. (£29.59m.) from associates and is after interest of £2.88m. (£2.68m.) and before tax of £24.44m. (£18.44m.).

Another subsidiary, A. Kershaw and Sons, showed a net profit of £4m. (£3.09m.) after tax of £219,690 (£87,157).

	1977 £000	1976 £000
Turnover	442.666	426.317
Trading profit	37.967	32.601
Associates—		
With Xerox Corpn.	104.958	59.163
Others	4.350	5.145
Interest	22.811	21.320
Profit before tax	124.462	75.389
Net profit	71.393	37.446
Taxation	53.069	38.143
Minorities	3.297	2.039
Extraordinary debits	11.655	†6.302
Attributable	56.301	41.709
Preference dividends	383	383
Ordinary dividends	13.970	12.300
Retained	42.948	28.828

† Credits See Lex

Alexanders Discount upsurge

THE SHARP downward movement in U.K. interest rates boosted 1977 profits of Alexanders Discount Company and an upsurge from £0.26m. to £2.14m. is reported, after providing for rebate and tax and making a transfer to contingency reserve.

General reserve has been increased to £5m. (£3.5m.) by a transfer from the contingency reserve, and the carry-forward balance was £2.05m. (£0.61m.).

Published resources have been raised to £12.1m. and inner resources have also been increased.

The net final dividend is 9.833p, lifting the total payment from 12.829p to 14.333p. It is the directors' policy to endeavour to maintain growth in the dividend distribution over the years, notwithstanding the uneven nature of profits from one year to another. Should the need arise, the carry-forward is available for this purpose. It is for this reason that it is proposed that the amount carried forward should be raised.

The move to new premises greatly facilitated handling the marked growth in both turnover and portfolio during the year. At the year-end the total assets were approximately £509m. (£368m.), the major components being treasury bills £172m. (£99m.) and commercial bills £203m. (£158m.). The company has maintained a much higher proportion of portfolio in gilts than in recent years and at December 31 the holding stood at £40m. (£35m.).

See Lex

Confidence at Avon Rubber

DESPITE uncertainties, particularly in tyre markets and the U.K. automotive industry, Avon Rubber Company is projecting a further profit improvement this year. Results of the first quarter were in line with forecasts, Mr. Hugh Rogers, outgoing chairman, told the annual meeting. Full-time taxable profit last year was a record £5.4m.

New factory buildings to be completed shortly at Melksham, Trowbridge and Hendy, South Wales, would not contribute profits this year but would provide additional capacity and better working conditions, leading to improved manufacturing efficiency and greater profitability in future years.

The stronger pound would inevitably affect profit margins on export sales, which last year increased by 48 per cent. to £27m., the chairman warned.

Mr. Rogers, who is succeeded as chairman by merchant banker Lord Farnham, remains a non-executive director.

Williams Lea to spend £1.5m.

INVESTMENT of £1.5m. in new plant has been budgeted for by Williams Lea Group for the next two years, Mr. D. L. Donne, the chairman, says in his annual statement. This is a substantial sum for the size of the company but investment on this scale is necessary if it is to continue to improve the service offered to customers, he says.

In addition the directors are still keen to invest in other specialist companies who would like to join the group.

Taxable profit for the 53 weeks to October 2, 1977, more than doubled to a record £715,541 (£336,412) on sales of £7.66m., against £5.75m. for the previous 52 weeks—as reported on December 19. The dividend is 198.1p. The company is unquoted and has close status.

Year-end net liquid funds were up £188,000 (£164,000) and bank overdrafts stood at £59,522 (£62,846).

Each company in the group has established a strong base in their particular market and this will now provide the opportunity for a number of them to focus on exports, Mr. Donne says.

Since 1972 the strategy of the company has been to move out of periodical and general printing and to concentrate on specialist market areas of printing. During the year there was some improvement in the trading conditions in the industry but the surge in profits resulted mainly from the specialisation policy.

Williams Lea and Co. took another big stride forward in development of its service to the corporate finance sector of the City and Perivan Press at Southend produced very much better results.

The year was better for publishers and their use of colour is increasing all the time. Photoprint Plates took advantage of these improved market conditions and was well supplied with work.

Instrument Charts, producers of roll charts for recording instruments, which joined the group at the beginning of the year showed disappointing results. However, the directors are confident of progress in the current year.

Meeting, 234, Old Street, E.C., on February 13, at noon.

Peak £0.16m. by Hallam Sleigh

ON TURNOVER ahead from £2.79m. to £3.72m. for 1977, taxable profit of general engineers, Hallam Sleigh and Chesterton jumped from £29,387 to a record £156,803. At mid-way the profit advance was from £4,000 to £70,000.

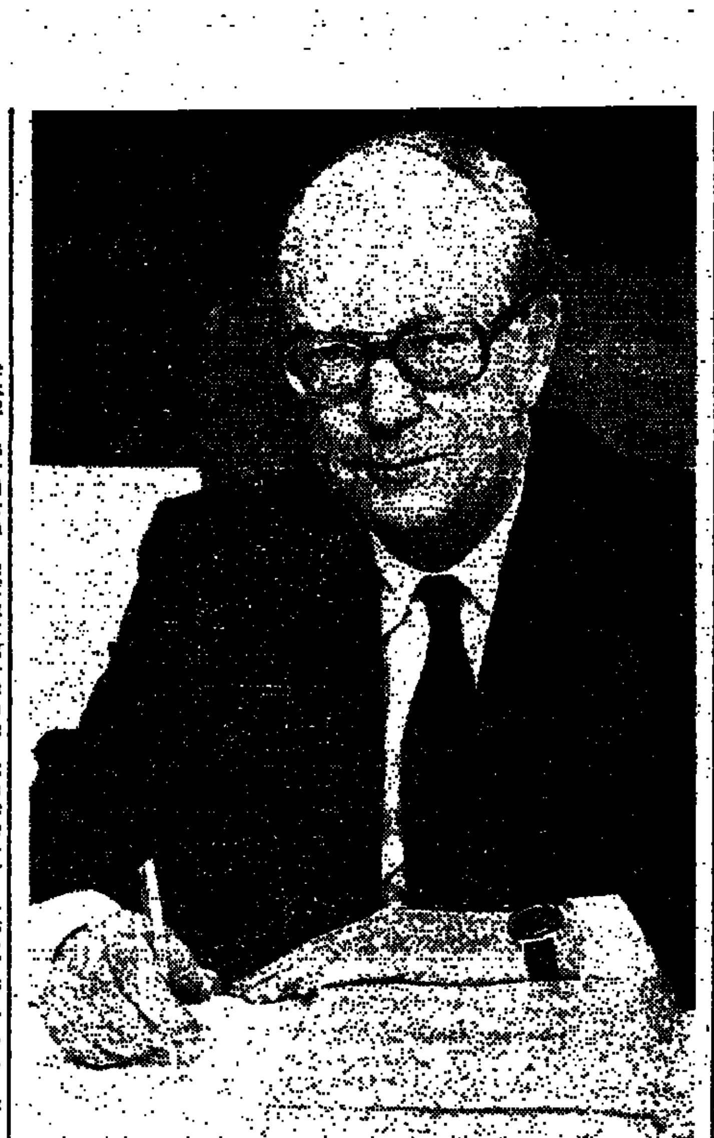
Tax for the year took £86,529 (£14,416) and earnings per 10p share are shown to have risen from 0.18p to 1.95p. Dividends absorbed £8,100 (nil).

Anglia Building Society assets

Total assets of Anglia Building Society expanded by 20.9 per cent. from £587m. to £710m. during 1977. Gross receipts were better at £338m., against £258m., with the net figures up £30m. at £82m.

Mortgage lending was up 10 per cent. at £137m. (£124m.) with the number of mortgages granted 5.2 per cent. higher at 16,100. Of the total advanced over 46 per cent. went to first-time buyers; 17 per cent. on newly built properties and 21 per cent. on pre-1919 properties.

The average size of loans made by the society was up only £308 at £7,955 compared with an increase of £667 for 1976 and £726 in 1975.



Freddie Mansfield

Mr. Harry Smith, chairman of Rank Organisation.

BIDS AND DEALS

George Bassett £5.3m. sale

George Bassett Holdings is pulling out of the confectionary and tobacco retail and wholesale business with a £5.3m. disposal to a subsidiary of Palmer and Harvey, the private company which bought the Lennon Brothers business last November for £1.4m.

The decision to sell has been taken by Bassett for a number of reasons. The group sees the future of tobacco as uncertain; it anticipates that future duty changes could have a significant impact on margins; and it considers any future in wholesaling and retailing in the U.K. lies on being totally national, which could be costly and time-consuming.

The cash arising from the sale is expected to be channelled into expanding Bassett's confectionery manufacturing activities and in furthering the group's diversification into toys, cakes and biscuits. Several other opportunities have been considered, though a spokesman for the Board said yesterday that they had "no specific target in mind at present."

George Bassett shares ended the day 3p higher at 156p.

Drakes Sweets Marketing, the Bassett subsidiary to be sold, made trading profits in the year ending March 31, 1977, of £640,000. The net assets to be sold are valued at £200,000.

GAILEY SELLS HOLIDAY PARKS

Gailey Group, a wholly-owned subsidiary of J. F. Nash Securities, has sold its holiday park division for £1,665,000. Three of the four parks that go to make up this division Combe Haven, North Somercotes and Ashcroft—have been sold to English China Clays for £1.75m. The buyer of Dinas Cross, in Pembrokeshire, has not been named.

A statement issued yesterday says that the disposals will enable Gailey to concentrate on developing its main interests in retailing caravans and in reducing short and medium term borrowings.

The price paid for the holiday division is expected to correspond closely to the balance sheet valuations included in the 1976-77 accounts, which are to be published early next month. In the year ended September 30 1977, the parks interests contributed £243,000 to group profits.

The deal is expected to double English China Clay's holiday interests.

Mr. J. B. Williams, a director of Haven Leisure, the ECC holiday subsidiary, commented: "We have ambitious plans for developing and improving all our sites, and in this we can call on the planning and building expertise of our sister company, Selleck Nicholls Williams (ECC). By 1980 we expect to be catering for around 200,000 holidaymakers a year."

BRITISH LAND

British Land has acquired an 11 per cent. stake in house-builders and property developers, Property Investment and Finance, in exchange for 1.05m. shares.

It is not yet known whether British Land will continue to hold the PIF shares (which were bought from a group of individual shareholders) or intends to place them as it did with the 15 per cent. stake it bought in Bridgewater Estates last May.

In the first case British Land will stand to receive the PIF dividend which, at half time, was forecast as 4p net for the year to March 1978. In the latter case there could be a capital gain on the sale of the shares. PIF's market price yesterday was 87p after a 6p rise on Friday, and the British Land purchase equates to around 82p.

In either case, the dilution of British Land's equity is minimal.

LCP COMPLETES

LCP Holdings has now completed the acquisition of the Halshaw Group for £2,384,943 cash and 839,671 Ordinary shares.

A new company, Evans Halshaw (Holdings), has been formed to take in all LCP's vehicle interests and to provide a base for future acquisitions, including the possibility of carefully selected European imported car franchises.

BID EXPECTED FOR BAINBRIDGE

A takeover bid is expected to be announced to-day for Bainbridge Engineering, whose shares were suspended yesterday at the company's request. A holding of 402,500 shares in the company was sold by Arbuthnot Latham Holdings (representing 26.45 per cent. of the equity) to Barrow Hepburn Group last November. However, a spokesman for Bainbridge said last night that the bidder would not be Barrow Hepburn.

At the suspension price of 35½p, Bainbridge has a market capitalisation of £540,000.

The last Bainbridge accounts showed ITC Pension Trust and ITC Pension Investments and Royal Bank of Scotland Edinburgh Nominees to be major holders, with stakes of 6.57 per cent. and 5.92 per cent. respectively.

Ladbroke forecast

The 1977 pre-tax profit of Ladbroke Group is estimated by the directors to be not less than £24m. (£15.3m.). This emerges from Ladbroke's offer document for Leisure and General which was posted to shareholders yesterday.

The interim figures for L and G are also revealed, showing pre-tax profits up from £786,000 to £1m. on turnover ahead from £13.78m. to £15.7m. "Excellent progress" is said to have been made by Mercury Motor Inns while contributions from most of the other divisions are described as "satisfactory." However, the bookmaking division, which Ladbroke is to sell if its bid is successful, was "disappointing."

Yesterday Ladbroke Group shares fell 1p to 210p while L and G was unchanged at 68p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Alexanders Discount	9.83	March 7	9.33	14.33	12.83
Dewhurst and Partner	0.57	—	0.56	0.82	0.80
New Witwatersrand Gold int.‡	6	March 16	6	—	15
Rank Organisation	5.85	April 7	4.94	7.96	7.2
United Guarantee	0.18	—	—	0.18	—

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Cents throughout.

Westland to seek more civil orders

ALTHOUGH Westland Aircraft has solved the problems which upset results last year it still faces a difficult period, Lord Aldington, chairman, says in his statement with accounts.

He says the group has won some more orders but must win more throughout its range of activities, and investment must be made in research and development.

And while retaining its pre-eminent position in defence work markets it must increasingly go into the civil markets. But it will be several years before the results from this will be seen. The increase in dividend from 2.85p to 3.18p is an expression of the directors' confidence in the more immediate future, he says.

In the year ended on September 30, 1977 profit was cut from £9.34m. to £5.84m. after provision totalling £6.5m. were made for losses on contracts for Lynx helicopters and the lengthening of hovercraft. The provisions previously were £1.13m.

Further provisions against stock and work in progress of £2.6m. (£2.64m.) were made while a non-recurrent surplus of £2.37m., attributable to deliveries in previous years, was included in results.

Notes to the accounts show *contingent liabilities* from proceedings that have commenced against the company in respect of alleged contracts for the supply of two helicopters, for certain commission and in connection with the supply of parts. The company has been advised it has good defences in each case.

It also has a contingent liability of £2.7m. for liquidated damages under its initial Lynx contract. The directors are satisfied that in the light of current negotiations no provision need be made.

Lord Aldington says that assembly of Lynx helicopters has been speeded up as a result of understandings achieved with the unions, and further discussions are now taking place to enhance this level of productivity. The 1973 contract with the Ministry of Defence is not expected to produce profits in the next 18 months but no further provisions are expected.

While the provisions have been made against the contract for the lengthening of SR.N4 hovercraft, the work done is expected to lead to further orders for lengthened SR.N4s.

Westland has received an order from the Danish Navy for Lynx helicopters and a provisional order has been received from the Middle East for Sea King helicopters.

The group has also reached the final stages of negotiations for the establishment of a partnership company for the production of an army version of the Lynx in Egypt to supply the Middle East market. When concluded, this agreement will provide a considerable *volume of work for the U.K. factories*, Lord Aldington says.

Work on its remotely piloted surveillance helicopter is proceeding and Westland is now seeking to exploit this development in overseas business.

Provisional orders for three BH.7 hovercraft have been received from the Egyptian Navy and a contract for the refurbishing of eight Saudi Arabian SR.N6 craft is expected early this year.

Its environmental control and allied products subsidiary Normalair-Garrett, which last year increased profits and its penetration of new markets, has substantial orders and growth in industrial customers for the electronics, casting and films divisions is expected.

There are signs that the home market for garage doors is increasing and profitability of Westland Engineers is increasing after a year of minimal profits in 1976-77.

An analysis of turnover and trading profit by activity shows (with £000 omitted): helicopter turnover of £93,815 (£96,390) and profit of £4,012 (£6,224); hovercraft £13,672 (£8,533) and £1,0[illegible] (£2,268); environmental control equipment £18,077 (£15,543) and £2,589 (£2,165); doors £7,5[illegible] (£7,490) and £73 (£383 loss) and other products £5,793 (£5,353) and £792 (£571).

At November 15, John Brown and Company owned 16.4 per cent. of share capital.

Meeting, Hyde Park Hotel, S.W., February 15 at noon.

● comment

The provision of £6.54m. for losses on two contracts nearly halved earnings per share to a stated 5.79p at Westland Aircraft. Some three-quarters of that provision is accounted for by the Lynx helicopter contract for the Ministry of Defence, which although not due for completion until 18 months hence Westland thought fit to make a provision now. The cause of the provision was that the contract had been negotiated using escalation clauses based on 1973 inflation rates. Provisions have been made of £2.6m. on stock and work-in-progress which could have diluted earnings further had it not been for the adding back of a "non-recurrent surplus" arising from "over-conservative" valuation of helicopter work-in-progress. Although provisions on work-in-progress are promised for future years these are hoped to be of little significance. But the provision policy of the group does make any future earnings projections difficult. At 48p (up 1p) the shares are backed by assets of 92.8p. The yield 10.4 per cent. is still fully covered on fully taxed earnings.

RAMSBURY ASSETS

Total assets of the Ramsbury Building Society rose £11m. to almost £58m., and not to £48m. as published last week.

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هكذا من الأصل

Allied Breweries sees growth—borrows more

AT home and overseas Breweries is in a sound and Mr. Keith Showering, chairman, is confident that successful development of the ...y will continue.

...group's export markets ...eat potential for sales and both in the short and the ...term, he tells members. ... 1976/77 direct U.K. ... climbed from £19m. to ... with Babycham being launched in the U.S. and off to a very good start ...lland. Whiteways export of Cydrax and Peardrax ...ed by more than 40 per

...ly because of the expenditure programme, ...ced last year, payments ...ed funds available by during the year and the has been largely covered ...ng up some of the medium ...ank facilities arranged for ...rpose.

...year end bank overdrafts ...ort term loans had more ...oubled to £51.8m. (£25.2m.). outstanding authorised ...iture totalled £102.4m.

...e £67.3m. (£37.9m.) capital ...ng in 1976/77 £35.1m. ...) went into the industrial £25.2m. (£16.5m.) into ...d property and £7m. ...) on vehicles and com-

...ales ahead from £885m. to ... taxable earnings for the to September 24, 1977, ...ed to £77.2m. (£83m.)—as ...ed on January 6. The net ...d is lifted to 3.9328p ...p) per 25p share.

...directors intend to con- to develop and expand markets over the next few as rapidly as circumstances ..., the chairman states.

...analysis of U.K. export shows that £14.5m. (£10.3m.) to North America, £6.7m. (£2.4m.) to Europe, £8.6m. (£3.3m.) to other areas and Naafi overseas and ships' stores accounted for a further £6.8m. (£3m.).

Of total sales £970m. were generated by U.K. companies, £113m. by the Netherlands companies and £21m. elsewhere.

The group's overall performance was achieved during a difficult year with consumers having less money for discretionary spending. The summer weather was below average with the result that sales of beer, cider and soft drinks suffered and trade in public houses generally was disappointing.

Sales of lager, however, continued their upward trend against a small decline in the total beer market.

The major lager development at Romford brewery is progressing well and a new brewhouse and associated plant at Wrexham, to give greater lager capacity, has been completed.

Extension of the group's catering houses is continuing with success and the hotels division enjoyed a very buoyant year, Mr. Showering says.

Every company in the wines, spirits and soft drinks division did well and some excellent results were attained with rapid growth in soft drinks, he reports. For cider it was necessary to order additional plant and machinery to cope with a steadily increasing share of the market.

Additional beer production capacity is being installed at Helmond, in the Netherlands, where a new kegging line is already in use and a new bottling line will come on stream in 1978.

Competition in the soft drinks market in the Netherlands remains strong but the group is better placed than most producers.

Increased profits and dividends were reported from both East African breweries in Kenya and Tooheys, Australia.

Improvement of pension benefits for two of the company's main schemes will cost £718,000 a year.

Because of the depressed Stock Market a deficiency in pension funds developed during the year to April 1976 and there was an increased liability for future pensions caused by inflation. The position has since improved but to meet the disclosed deficiency an additional contribution of £634,000 is to be paid by the company for 14 years out of provisions already made in the accounts.

At September 24, 1977, six directors were shown to have reduced their holdings of Ordinary shares. The largest changes were by Mr. F. E. Showering from 2,503,615 down to 1,653,615 and by Mr. A. K. Bergius from 735,744 down to 516,000.

Meeting, Hilton Hotel, W., on February 16, at noon.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—W. G. Allen (Tipton), Amalgamated Distilled Products, Peter Black, Davy International, Hambro Trust, MTM Holdings, R. and J. Pullman, F. S. Ratcliffe Industries.

Finals—Glass Glover, Kingside Investment.

FUTURE DATES

Interims—	
British Dredging	Feb. 1
Cantors	Jan. 25
Daejan	Jan. 31
Jentique	Feb. 20
Worthington (A. J.)	Jan. 26
Finals—	
Lonsdale Universal	Jan. 26
Manchester Ship Canal	Feb. 13
Scottish Agricultural Industries	Feb. 9

United Guarantee dividend

AFTER INCREASING profit from £925 to £161,329 in the first half, United Guarantee (Holdings) reports a £313,320 turnround to a record £197,560 profit in the year to September 30.

Turnover declined from £4.95m. to £4.43m. in the year, and the profit is before tax of £68,779 (£37,621 credit) and excludes extraordinary profits of £118,025 (£56,028 loss).

Interim dividend is restored at 0.181p net per 5p share after a two-year absence and earnings per share are given at 4.78p (2.615p loss).

The group's activities are the sale of fuel oil and heating services, the blending and sale of lubricants and property investment.

Allied Irish opens New York branch

Allied Irish Banks yesterday became the first Irish bank to open a full service branch in the United States—in Park Avenue, New York.

Whereas most foreign banks entering the U.S. market confine their activities to wholesale banking (large corporate international financing and money trading), AIB is in addition, fully participating in the retail or personal banking market and offers the complete range of personal banking services.

The group sees a branch in New York as an important step in the expansion of its network overseas.

Independent News outlook

VIABILITY and growth of ...n-based Independent News...s depends on the Irish ...my. The portents for this ...uite good and the directors ...hopeful of real growth in ...tising volume in the current ... Mr. R. T. Murphy, the chair... tells members.

...the U.S. the company is ...ating opportunities in Press, ... and television and are ...ously optimistic that the 12 months may bring some ...ress. At this stage the ...tors say they intend to ...ce any such investment in ...rs from within the U.S.

...o acquisition possibilities that ...ar to be in growth areas of ...shing or represent synergistic ...rtunities for the existing core ...ness in the U.K. are con...tly under review by the ...tors, he says.

...e company had mixed results ...he U.K. during 1977. Em...ment Publications, which pub...s Miss London, has now attained excellent profitability after a difficult period and has achieved 55 per cent. share of this type of recruitment media market.

Negotiations to expand the group's titles in this and allied segments of the speciality magazine trade are currently proceeding.

Performance of Wilson and Whitworth, publishers of Stratford Express and five other East London regional titles, was disappointing and will require decisive cost reduction and business building efforts in 1978, Mr. Murphy states.

As known earlier this month the company agreed to purchase a 58 per cent. interest in Nutley Investments for £543,000 and the issue of 200,000 Ordinary shares, with a commitment to acquire the remaining interest for not less than £661,500 at the option of the minority shareholder. Nutley's wholly owned subsidiary publishes the Sunday World newspaper.

The group's overall aim for further investment in the Irish provisional market is based on regional development opportunities that reflect the shifting demographics of the nation, the chairman says.

As reported on January 13, group taxable earnings climbed to a record £2.09m. (£1.36m.) on sales of £22.37m. (£16.49m.) for 1977. The net dividend is stepped to 6.5p (4.0025p) per 25p share.

At year-end bank balances and cash were up at £214,041 (£183,076) and bank advances were higher at £667,333 (£548,761).

Fitzwilton held 1.76m. Ordinary shares at December 30, 1977.

Developments overseas, excluding the Stratford Express, contributed 16 per cent. of profit and this percentage is expected to increase in the year ahead. In particular the group's 30.4 per cent. share in the German company SCW Shopping-Center-Werbung, promises considerable profit increases, Mr. Murphy says.

59 companies wound up

Orders for the compulsory winding-up of 59 companies were made by Mr. Justice Slade in the High Court yesterday. They were:

Shacklewell Antique Reproduction, S. and S. Mirrors, G. Sheldon, Whalebone Motors, Northdown Developments, Severnside Business Services, Thompson Fruit Company, Harpenden Holdings.

Barterfine, Delme Properties, Classic Motorcrafts, Office Equipment Centre (Camberley), Delphamesh, Goral, John Palk Plant Hire, ISO Freight Container Equipment, Howard Lyndon, Maxclan.

Bucci (London), Campden Construction, Palmer and Sons Services (Birmingham), S. Heyward and Son (Building and Painting Contractors), Valemore, Independent Vending Services, The Willow Garden, H. Geraghty and Co.

Dolphin Trailer Hire Company, Paperchain, Ronald A. Lee Associates, Helix Hydro, Sun Developments, Auto-Monza (GB).

Allied Commercial Estates (Southern), Roy Bianco Associates, Wilson Shuttering, Catapan (Builders), Focus Fabrics, Turrall Clarke (Developments), Goldroad.

The Great American Success, Hancock Bros. (Cambridge), Jones and Freeman, Lucille (Boxes), Mansell Street Investments, J and T. Parker, Multiplex Finance Company, Pranfold, Robt. Perkins and Co., Sunteam Investment Company, FTP Maritime Overland.

Street Building Contractors (South West), Midcot, London Audio Communications, Assurance Selection, Gilbert Construction (Contractors), Stanhope Owen (Holdings), Karbrick Construction Company, Nordee Heating Company, Coolbrook.

A compulsory order made on January 16 against Business and Technical Systems was rescinded. By consent the petition was dismissed.

In another petition a stay of all further proceedings was granted in the liquidation of K. M. Bergin which was ordered to be com- 1977.

Managers adopt new symbol

THE BRITISH Institute of Management has adopted a new symbol for its national convention, to be held at Wembley Conference Centre on March 7. The design—linked arrows—will be used in conjunction with a convention slogan: "Managers—the pro's in prosperity."

MONEY MARKET

Cut in MLR indicated

...nk of England Minimum ...nding Rate 6½ per cent. (since January 6, 1978)

...ort-term fixed period interest ... were slightly easier in the ...on money market yesterday. ...unt houses buying rates for ...-month Treasury bills fell to ...¾ per cent. from 5⅞ per cent., ...ing towards a possible cut ... per cent. to 6¼ per cent. in ... of England Minimum Lend... Rate at this week's Treasury ...ender on Friday.

...-to-day credit was in shorter ...y than generally expected in ...money market. Revenue payments to the Exchequer made quite a large dent in the substantial Government disbursements, made up of the rate support grant, housing grant, and dividends on gilt-edged stock. Banks also carried over heavily run-down balances from Friday, there was a slight net take-up of Treasury bills to finance, and repayment was made of the moderate amount lent to the market on Friday.

The authorities gave a very large amount of assistance, by buying a very large number of Treasury bills from the houses, and a small amount of local authority bills.

Discount houses paid 5¾-6¼ per cent. for secured call loans in the early part, but closing balances were found at 5¼-5¾ per cent., suggesting that the amount of help may have been slightly overdone.

In the interbank market overnight loans opened at 5¾-6 per cent., and rose to 6¼-6½ per cent., before easing to 5¾-6 per cent., and closing at 6¼-6½ per cent.

Rates in the table below are nominal in some cases.

...23 ...78	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
...ght		5¾-6½	—	—	—	6⅛	5½-6¼	—	—	—
...notice ...r		—	6-6¼	—	—	—	—	—	—	—
...notice		6¼-6⅝	6-6¼	—	6¼-6½	6⅜	6-6⅜	—	—	—
...nth	6[illegible]-6½	6[illegible]-6[illegible]	6⅛	6⅜-6⅜	6⅜-6⅝	6-[illegible]	6-6⅛	5[illegible]-5[illegible]	6⅛	6¾
...nths	6[illegible]-6[illegible]	6⅛-6¼	—	6⅜-6	6¼-6⅝	—	6	5¾	6[illegible]	6⅜-6½
...months	6[illegible]-6[illegible]	6⅛-6¼	6-6⅛	6⅜-6	6¼-6⅝	6⅛	5⅞-6	5[illegible]-5¾	5[illegible]	6½-6¾
...ths	6-6[illegible]	6⅜-6[illegible]	6¼-6½	6⅜-6	6½-6¾	—	—	—	6[illegible]-6⅛	6½-6¾
...nths	6[illegible]-6[illegible]	6[illegible]-6[illegible]	—	7-6⅝	7	—	—	—	—	—
...r	6[illegible]-6[illegible]	6⅞-7⅛	7	7-6¾	7¼	—	—	—	—	—
...ar			7⅞-8	—		—	—	—	—	—

...al authorities and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage ...nominally three years 9 per cent.; four years 10-10¼ per cent.; five years 10¼-10⅜ per cent. Φ Bank bill rates in table ...are rates for prime paper. Buying rate for four-month bank bills 6 per cent., four-month trade bills 6½-6¾ per cent. ...Approximate selling rate for one-month Treasury bills 5[illegible]-5[illegible] per cent., two-month 5[illegible]-5[illegible] per cent., and three-month ...per cent. Approximate selling rate for one-month bank bills 6 per cent., two-month 5[illegible]-6 per cent.; and three-... per cent. One-month trade bills 6¾ per cent.; two-month 6[illegible]-6[illegible] per cent.; and also three-month 6[illegible]-6[illegible] per cent.

...ance House Base Rates (published by the Finance Houses Association): 6½ per cent. from January 1, 1978. Clearing ...Deposit Rates (for small sums at seven days' notice) 3 per cent. Clearing Bank Rates for lending 6½ per cent. Treasury ...Average tender rates of discount 5.7747 per cent.

SHARE STAKES

Sound Diffusion—Control Nominees has sold 79,645 shares reducing holding to 729,093.

Belgrave (Blackheath)—Central Manufacturing and Trading has sold its entire holding of 150,000 shares.

West Coast and Texas Regional Investment Trust—Cornhill Insurance no longer has a notifiable interest following the sale of 75,000 shares.

Harris Lebus—Greenbrook Securities through subsidiary, Bunting Estates, has sold 115,000 shares. Holding now 110,000.

Chaddesley Investments—Ordenes has disposed of its holding of 350,000 shares. Sunev Finance has acquired 350,000.

Inter-City Investment Group—J. Harris, director, has a beneficial interest in 893,312 shares (9.6 per cent.); I. Weisbort, director, has a beneficial interest in 721,284 (7.7 per cent.).

F. Austin (Leyton)—Keyser Ullman Investment Management are beneficial owners of 860,000 shares (7.1 per cent.).

Wood and Sons (Holdings)—Newman Industries has an interest in 347,500 shares (8.89 per cent.).

Trafalgar House—Kuwait Investment Office acquired 100,000 shares on January 12 and has an interest in 9m. shares (5.63 per cent.).

Office and Electronic Machines—E. Markus has sold 75,000 shares and J. C. Davies 5,000.

C S C Investment Trust—London and Manchester Assurance has bought 2,500 shares making total 85,800 (6.114 per cent.).

Esperanza Trade and Transport—Rothschild Investment Trust has increased its holding by 10,963 shares to 2,000,066 (17.11 per cent.). Guinness Peat Group has increased its holding by 10,963 shares to 2,490,655 (21.32 per cent.).

Crellon Holdings: V. C. H. Creer, director, has disposed of 37,912 shares registered in name of Courtways Management, a private company of which he is a director.

Initial Services: John James Group has increased its holdings of 8½ per cent. cumulative Preference shares to 29,778 (17.4 per cent.).

Advance Laundries: Wesleyan and General Assurance holds 16,300 5½ per cent. second Preference shares (previously 13,100).

Amber Day Holdings: Following directors have notified sales as follows on January 18—R. Metzger 265,000 shares, H. Finegold 200,000, J. W. Rose 100,000, E. Davis 100,000, H. Cohen 10,000, and non-beneficial interest of H. Cohen 45,000. Following those disposals, directors and families are interested in 3,632,390 shares (29.98 per cent.).

Burma Mines: David Investments (Jersey) beneficial holding has increased from 2,897,500 shares to 3m. (22.15 per cent.).

ASSOCIATES DEALS

On Friday, N. M. Rothschild and Sons bought the following Harcros shares for the following group of associates at 90p: Rothschild Investment Trust 5,000; Sipef 1,667; McLeod Russel 2,500; Hume Holdings 833. Group now holds 2,326,850 shares.

Cazenove bought 155,000 Madame Tussaud's at 65p on behalf of S. Pearson and Son.

Capel-Cure Myers sold 16,666 Allied Investments at 52½p on behalf of a discretionary client.

SIME DARBY

China Engineers (Holdings), a subsidiary of Sime Darby Holdings, has acquired a 55 per cent. equity interest in two Hong Kong engineering companies—American Engineering Corp. (Hong Kong) and International Engineering.

Westland Aircraft Limited

Extracts from the Statement by the Chairman, The Rt. Hon. Lord Aldington, P.C., K.C.M.G., C.B.E., D.S.O.

The results for our year 1976/77 have been dominated, as we indicated to you in the Interim Report, by additional costs and delays in the assembly of the Lynx which persisted until August.

It is right to remember when considering the U.K. Lynx contract that its terms were settled in 1973 when neither hyper-inflation nor several years of high levels of inflation were anticipated. The provisions now made have taken into account likely levels of inflation over the next two years.

In other respects, too, 1976/77 was not an easy year. The effect of the continuing high rate of inflation and the consequent strains on people must not be forgotten, even though they become familiar. Taking the rest of the business of the Group, most of it showed the expected increase in turnover and improvement in profits; in particular, Normalair-Garrett, despite being affected by industrial relations' difficulties in the neighbouring Westland Helicopters factory produced good results. British Hovercraft Corporation, in Cowes, substantially increased its turnover, but later in the year found that the fulfilment of its sizeable contract with British Railways to lengthen two SR.N4 hovercraft involved additional work which had not been fully foreseen. Whilst discussions proceed with British Railways, prudently a provision has been set aside for this important contract. The work done under the contract is confidently expected to lead to further orders for lengthened SR.N4 hovercraft.

Taking together the provisions that are necessary for the Lynx and the Hovercraft contracts, the year's profit of £5.8m before tax is about £6.5m less than it would otherwise have been.

There need be no doubt about the [longer term] opportunities open to us or our ability to match them. Your Directors have expressed their confidence in the more immediate future through their dividend recommendation. We have the resources in people, plant and money. We intend fully to exploit the investments and experience of recent years.

	1977 £'000	1976 £'000
Turnover	138,926	131,239
Profit before tax	5,844	9,342
Profit after tax and minority interests	3,430	7,692
Earnings per share	5.79p	12.97p
Dividends	3.18378p	2.85049p

Operating Companies

Westland Helicopters Limited Yeovil and Weston-super-Mare (Sea King, Commando, Navy Lynx, Multi-role Lynx, Gazelle). British Hovercraft Corporation Limited Cowes, Isle of Wight (Civil and Military hovercraft, Helicopter spares). Normalair-Garrett Limited Yeovil (Environmental control equipment, Electronic, hydraulic and oxygen equipment for industry). Westland Engineers Limited Yeovil (Industrial and Garage doors). FPT Industries Limited Portsmouth, Hampshire (Flexible fuel tanks). Saunders-Roe Developments Limited Hayes, Middlesex ('Betalight' self-powered light sources).

Copies of the Annual Report and Accounts can be obtained from the Company Secretary at Yeovil.

MINING NEWS

Mary Kathleen faces another problem

BY KENNETH MARSTON, MINING EDITOR

IRONICALLY, AUSTRALIA'S only uranium-producing mine, the Rio Tinto-Zinc group's Mary Kathleen, has been hamstrung by trades union opposition to exports of uranium at a time when the mine's production problems appear to be easing. Force majeure thus remains in being on shipments which were due to be made before December 31.

On January 6, the Commonwealth Government announced that it was deferring consideration of any arrangements for further shipments of uranium out of Australia before the middle of February while union members took part in the poll on the subject called for by the Australian Council of Trade Unions. Last week, however, it was reported that two major unions had refused to take part in the ballot.

Mary Kathleen has been having talks with its major shareholders regarding short-term finance until normal shipments can be resumed and has been assured of sufficient funds to cover its requirements until the end of February. The present Federal Government and its Labor predecessor have repeatedly stated that existing uranium contracts would be honoured.

Meanwhile, the company reports a loss for 1977 of $A10.9m. (£6.4m.) compared with a loss of $A12.4m. in the previous year. However $A8.4m. of the latest loss was incurred in the first half of 1977 when production was hit by technical problems at the mine and plant. Output amounted to only 182 tonnes of uranium oxide, but it improved in the second half of the year to 238 tonnes.

Last year Mary Kathleen repaid the balance of uranium oxide that it had borrowed from the U.K. Atomic Energy Authority for delivery to customers in 1976. Mary Kathleen is 51 per cent. owned by Conzinc Riotinto of Australia which, in turn, is 72.6 per cent. owned by RTZ.

Gold output at 16-year low

SOUTH AFRICAN gold production in 1977 was at its lowest level for 16 years. The latest statistics from the Chamber of Mines of South Africa reveal that gold output for December was 1,724,017 ozs. against 1,904,867 ozs. for November and 1,778,698 ozs for December, 1976.

The December figure brings the cumulative total for 1977 to 22,408,037 ozs compared with 22,798,455 for 1976 and 22,764,958 for 1975.

Production for 1977 was affected by the introduction of the 11-shift fortnight for white mineworkers and short-term contracts for black mineworkers, the latter resulting in a high turnover and the retraining of many employees.

However, the outlook for the current year is more encouraging. The recent labour shortage on the gold mines has eased considerably with labour complements currently near optimum levels at about 97 per cent. of requirement. The bullion price closed $2.50 higher at $175.625 per oz yesterday, its highest closing level since April 3, 1975.

Alwest returns to start line

A NEW partner for the $A650m. (£383m.) Alwest bauxite-alumina venture in Western Australia will emerge in the next two or three months, according to Mr. Andrew Mensaros, the State's Minister for Industrial Development, Mines, Fuel and Energy.

The project has been hanging fire since the withdrawal of Alcoa of Australia last July. The existing partners are Reynolds Metals of the U.S., Broken Hill Proprietary of Australia and Mr. Rupert Murdoch's News Ltd.

Mr. Mensaros, who is in Europe drawing attention to Western Australian development programmes, said in London that the incoming partner would be a user of the alumina, but he would not be more specific.

He did say, however, that more people were interested in the project than in earlier times. The joint venturers would have to select a partner.

If this is the case, then there has been a substantial change in international attitudes in recent months. Alcoa of Australia only announced its participation at the end of 1976 after BHP and News Ltd. had nursed the project for some seven years.

The idea has been to find an outlet for the bauxite reserves held by BHP and News Ltd. in the Darling Range behind Perth. The development of alumina facilities in Western Australia has been an aim of the State Government for a number of years.

Alcoa's withdrawal to establish an alumina plant of its own suggests that when Alwest goes ahead it will be on a smaller scale than first envisaged. Refinery production of between 0.8m. and 1m. tonnes of alumina a year was the original aim.

Mr. Mensaros said that 76 per cent. of the equity in the revised project had already been taken up. In the past he has mentioned the possibility of a Japanese group joining the consortium.

New Wits and 'Freddies'

HALF-YEAR net profits of South Africa's New Witwatersrand Gold Exploration amount to R956,000 (£569,000) compared with R1.14m. in the six months to December 31, 1976. The total for the full year to last June fell to R985,000 following a R1.1m. writing-down of investments. The latest interim is maintained at 6 cents (3.6p).

Another of the smaller South African mining finance houses, Free State Development and Investment, reports net profits for the six months to December 31 of R392,000 (£233,000) compared with R444,000 in the same period of 1976. The total for the year to last June came out at only R567,000 following a fall in sharedealing profits during the second half of 1976-77.

"Freddies" is paying an unchanged interim dividend of 4 cents (2.4p) and states that its net asset value at December 31 was 260 cens (155p) per share. Yesterday's London price was 95p.

It is also pointed out that it should not be assumed that results for he firs half of he year will be repeated in the remaining six months because of the uneven flow of investment income and fluctuations in sharedealing profits.

New Botswana mine

THE Botswana Government will get "more than 70 per cent." of the profits of De Beers, the rich Jwaneng diamond mine, according to Dr. G. Chiepe, Botswana's Minister of Mineral Resources, reports Bridget Bloom, Africa correspondent.

Negotiations to finalise the Government's agreement with De Beers are expected to begin to-day in Gaborone, the Botswana capital.

On Feburary 1 negotiations will also begin between the Botswana Government and a commercial bank consortium led by the First National Bank of Boston, for a medium-term loan of some 40m. pula (£23.8m.) to finance the Government's part of the overall project, now estimated to cost a total of some 200m. pula.

Jwaneng is considered the richest diamond find in Botswana so far, and according to Botswana sources, could well outstrip the Orapa mine, the major producer so far in both production and revenue.

De Beers has remained largely silent on the details of its agreement with the Botswana Government. But Dr. Chiepe confirmed in an interview in Botswana last week that Jwaneng, "a very big find," was expected to begin production in 1982 with some 2m. carats for that year.

The Government hoped that production could thereafter rapidly work up to the 4m. to 4.5m. carats which Orapa is scheduled to reach next year.

Dr. Chiepe said that although the Government had hoped for around a 77-23 per cent. share-out on profits the Government take would be less than that. The Minister believed, however, that the deal reached gave "a fair return to both sides."

The Government will take a so far undisclosed equity shareholding in the Jwaneng operating company and—unlike Orapa—is to participate in financing the project's infrastructure.

Dr. Chiepe confirmed that negotiations with the First National Bank of Boston and including Standard and Barclays, for a commercial loan of some 40m. pula—"less than a quarter of the total cost"—will begin in Gaborone next week.

Jwaneng, which sources in Botswana suggest could prove second in riches only to the Finsch mine in South Africa, is believed to have a 50-50 split between industrial and gem stones.

Major problems are the deep covering of Kalahari sand and lack of water. Apparently enough water has been found locally for the construction period, although it is possible that supplies for the mine and townships may ultimately have to be piped from near Gaborone.

ROUND-UP

The Sultanate of Oman is to take a 75 per cent. interest in a new mining venture capitalised at $120m. (£61.8m.) being set up to exploit copper deposits at Shar, 54 miles from Muscat, the Middle East Economic Survey reported. The other partners, with 12.5 per cent. each are Marshal of the U.S. and Prospection of Canada. Production is planned to start within 30 months at a rate of 20,000 tons a year of refined copper.

* * *

In Melbourne, Gold Mines of Kalgoorlie announced a first and final call of 10 cents (5.87p) on 2.043m. 1977 new issue shares. Shareholders will be notified not later than February 22.

* * *

The Australian group, Emperor Mines, confirmed it was willing to negotiate the sale of its Fijian gold mine to the Fijian Government. Production at the mine has resumed with a reduced labour force.

* * *

Brinco, one of the Rio Tinto-Zinc group's Canadian units, has spent $Can3.8m. (£1.78m.) to buy 500,000 Treasury shares in the Vancouver oil and gas concern, Coseka Resources. The purchase would raise Brinco's stake to over 30 per cent., but the effect of a share exchange acquisition by Coseka, now in negotiation, would reduce that to just over 25 per cent.

MINING BRIEFS

MOUNT ISA MINES—Production for the period December 19 to January 15, lead ore treated 133,107 tonnes, produced 7,720 tonnes crude lead and 12,372 tonnes zinc concentrates. Copper ore treated 336,426 tonnes, produced 10,550 tonnes blister copper.

MALAYSIAN MINING CORPORATION—Amalgamated Tin of Nigeria December production of concentrates: tin, 157 tonnes, columbite 22 tonnes. November 148 and 16 tonnes respectively.

Changes in top MAM contracts

Management Agency and Music is confident that profits for the year ending in July will "not be out of line" with those in the previous year. The company expects this repeat performance despite a renegotiation of its contracts with three of its leading talents that will reduce the amount of income it derives from them in the immediate future.

In a letter to shareholders MAM describes how it has altered contracts with Tom Jones and Engelbert Humperdinck, the siggers, and Mr. Gordon Mills, the manager, that were due to expire on July 31, 1979. The company has agreed new contracts with all three that are effective from the beginning of this financial year. MAM will take a smaller cut of their respective earnings forthwith and, in return, will receive this reduction until July 31, 1982. No cash payment is involved.

Mr. Gordon Mills will continue to manage Tom Jones, but, at Engelbert Humperdinck's request, has now relinquished management of Mr. Humperdinck to another director of the company, Mr. Harold Davison. MAM will now receive 50 per cent. of the two singers' record royalties, and 50 per cent. of Gordon Mills earnings till July 1982, instead of 100 per cent. till July 1979. There is a corresponding reduction of the percentages taken by MAM of the TV, live performance and other earnings accruing to the two singers.

The company considers that the resulting earnings shortfall over the next two years will be made up for, or exceeded, by the take during the following three. The managing director, Mr. W. Smith, says that the new arrangement will give MAM more time to work towards a replacement of these artists' earnings, by internal growth and by the "acquisition of assets and earnings from other sources."

Dewhurst and Partner second half drop

After being nearly £20,000 up at half-way, profits of Dewhurst and Partner rose only £1,929 to £167,284 in the 53 weeks ended October 2, 1977.

The pattern in the first half was increasing turnover and profitability for the parent company, and losses in the subsidiary Dupar Pelapone. A continuation of that trend was expected for the full year, with the end result showing some improvement in overall group profits.

Tax for the 53 weeks takes £92,582 (£91.457), leaving the net profit at £74,702 (£73,898). This year there is an extraordinary credit of £37,784.

Earnings are shown at 1.04p (1.03p) per 10p share. The dividend is stepped up from 0.8p to 0.825p net with a final of 0.575p.

The group makes electrical control equipment.

Forest plan

A LANDSCAPE plan is being prepared by the Forestry Commission to eliminate the rigid, geometrical lines of Ennerdale Forest in the Lake District to make the whole area more attractive.

هكذا من الأصل

● NEWS ANALYSIS — HARRISONS & CROSFIELD

Fighting for the empire

BY JAMES BARTHOLOMEW

...so complicated," said one ...ombatants in the war for ...s and Crosfield empire, ...en we do not fully under... ...hat we are doing."

...conflict, fought simul... ...y on several fronts, must ...nong the most involved ...struggles ever.

...ts very complexity, the ...dings, the doubts about ...otives of the opposing ...es, the Takeover Code ...he political ramifications ...romantic history of the company make it all the ...scinating.

...sons and Crosfield were ...d as a company in 1908, ...the history of its fore... ...oes back much further. ...the first third of this ...it was engaged, among ...hings, in creating planta... ...t did not buy plantations. ...ually hacked them out of ...gle.

...C could not itself finance ...plantations it wanted to ...ut there were plenty of ...s ready to put up the ...allowing H and C to act ...nt and manager. Many ...mpanies were started in ...and it was natural, even ...e, that H and C should ...all stakes in them.

...investors tended to like ...mpanies to have only one plantation, say rubber, so ...y could buy an undiluted ...that industry. But from ...panies' own point of view ...s not so sensible. The ...downs of the rubber price ...that the companies were ...ely broke and flush. As a ...hey could not plan ahead ...and their dividend pay... ...vere erratic.

...emed logical, when these ...companies were well-off, ...on to some of their money ...han pay it all in dividends. ...ther than simply leave the ...in a bank, it seemed ...for them to invest it in ...lantation companies, prob... ...anting a different kind of ...operating in a different ..., to spread the political ...matic risks.

...rally the plantation com... ...in which they invested ...ther ones in the H and C ...

...advantage of this system ...own dramatically in the ...f London Sumatra, whose interest is in Indonesia. In the late sixties, at the time of near war in that country, the estates of London Sumatra were to all intents and purposes expropriated. But the company was able to keep on paying dividends because of the income which it received from investments in other H and C companies.

London Sumatra also demonstrates the benefit which companies, and their shareholders, have derived from the H and C connection. When peace was restored in Indonesia, the new Government allowed London Sumatra to have its property back in exchange for a long-term commitment to develop the estates. H and C's reputation is said to have been an important element in obtaining this agreement.

The directors of H and C are proud of their company and most of them have been in it for a long time. Between them they have had over 120 years working for it in the Far East. They feel as involved in the mass of companies they run as if H and C owned them. But there is the rub. H and C does *not* own a great many of the companies despite the fact that they are completely under the control of its management.

It is this which gives rise to the conflict. On the one hand companies outside the group like McLeod Russel and Rothschild Investment Trust, quite legitimately aspire to buy satellites of H and C. On the other, H and C tries to maintain or increase its control of them. The determination of all sides is increased by the fact that the satellite companies are much more desirable than they used to be. Most of the plantations are mature. Crop yields are well above pre-war levels, more than five times above in the case of rubber, and the prices have on the whole kept ahead of inflation. H and C was once content merely to manage the plantations but now it is much more keen to own them as well.

The methods employed by H and C to keep and consolidate its empire is the cause of the central controversy. The Rothschilds side has accused H and C of "creeping control," using the amazing web of cross holdings gradually to take over the satellites without ever paying a proper "take-out" price. This is the sort of situation that the City's Take-over Code is designed to prevent. But most of the cross-holdings were built up before the Code was created and are now a fact of life. The Code does not appear to be able to resist the undesirable consequences of an existing spider's web of shareholdings.

But what about the other side, Rothschild Investment Trust, Hume Holdings, McLeod Russel, Sipef SA and Genting Highland, sometimes acting together, sometimes separately? Does it consist of avenging angels, attacking the empire in order to protect the smaller shareholder? Certainly the outside shareholders have benefited so far as bids and counterbids have increased the value of their holdings.

Or are the Rothschild forces trying to break up the empire for personal gain? The example of the bid for one of the satellite companies, Malayalam Plantations, showed what profit could be made. McLeod Russel built up a stake and made a bid, thus provoking H and C to make a counterbid. McLeod Russel came away with paper profit of more than £1m.

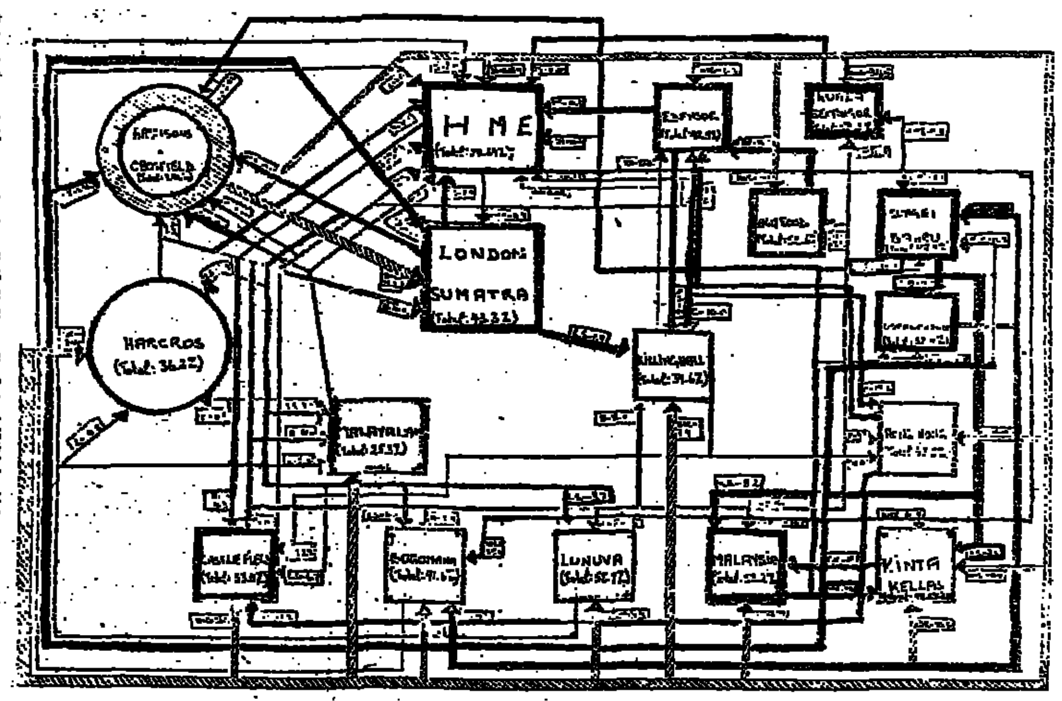
Politics enters the picture in the form of "Malaysianisation," the programme for companies in Malaysia to give up a large part of their ownership to local interests.

This will make it difficult for H and C to maintain its grip on the Malaysian part of the empire, especially if, as rumoured, there is a political faction there actively opposed to H and C. But Barings, advisers to H and C, deny that there is any such faction.

The current take-over battles in this war are being fought over three of the satellite companies, Malayalam Plantations, Harcros Investment Trust and London Sumatra. All three have important stakes in other H. and C. satellites as well as substantial cross-holdings in each other.

Harcros has a particularly important strategic position because of its many stakes in group companies. This is partly reflected in the offer document from H and C where the chairman of Harcros writes: "Stockholders will benefit from H and C's wish to consolidate the group by receiving 5 per cent. above the going concern net asset value." The details of Harcros' holdings do not appear in this document but Rothschilds believes that if the bid is successful H and C's direct stake in Castlefield (Klang) and London Sumatra would be taken above 30 per cent. and its stakes in Holyrood and Lunuva above 50 per cent.

The motives of the Rothschild camp may be in doubt, but its activities do appear to have highlighted a controversial aspect of the H and C empire which the Takeover Code has not been designed to remedy. The best way out may be for H and C to follow the example of Sime Darby and James Finlay by removing incestuous crossholdings and arranging for each company to have a clear uncontested owner.



Rothschild's picture of the Harrisons and Crosfield maze. The percentage appearing in each company box is the total equity held by H and C companies.

World Value of the Pound

...he table below gives the latest available ...of exchange for the pound against various ...cies on January 23, 1978. In some ...rates are nominal. Market rates are the ...e of buying and selling rates except where ...re shown to be otherwise. In some cases ...t rates have been calculated from those of ...n currencies to which they are tied. ...xchange in the U.K. and most of the ...ies listed is officially controlled and the ...shown should not be taken as being ...able to any particular transaction without ...nce to an authorised dealer.

...bbreviations: (S) member of the sterling ...other than Scheduled Territories; (k) Scheduled Territory; (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non-commercial rate; (n.a.) not available; (A) approximate rate, no direct quotation available; (sg) selling rate; (bg) buying rate; (nom) nominal; (ex/C) exchange certificates rate; (P) based on U.S. dollar parities and going sterling dollar rate; (Bk) bankers' rate; (Bas) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the table below are not in all cases closing rates on the dates shown.

Place and Local Unit		Value of £ Sterling
...istan	Afghani	79.0
...	Lek	(O) 10.10(A)
...		n.a.
...	Dinar	8.5871
...	French Franc	9.1625
...	Spanish peseta	166.50
...	Kwanza	n.a.
...(S)	E. Caribbean $	5.248
...	Ar. Peso Free Rate	1217.35
...(S)	Australian $	1.7007
...	Schilling	29.40
...	Portug. Escudo	77.50
...	Ba. Dollar	1.9420
...	Taka	27.825 (g)
...(S)	Dinar	0.7645
...	Spa. Peseta	166.30
...(S)	Barbados $††	3.884
...	B. Franc	(cm) 65.55
		(fn) 65.40
...	B $	3.884
...	C.F.A. Franc	459½
...(S)	U.S. $	1.9420
...	Indian Rupee	15.6715
...	Bolivian Peso	59.84
...(S)	Pula	1.6083
...	Cruzeiro ‡‡	51.49
...	U.S. $	1.9420
...	Brunei $	4.53
...	Lev	1.7127
...	Kyat	12.898
...	Burundi Franc	175.52
...Rp	C.F.A. Franc	459½
...	Canadian $	2.1450
...	Spanish Peseta	166.45
...le I.	Cape V. Escudo	n.a.
...(S)	Cay. Is. $	1.61792
...Rp.	C.F.A. Franc	459½
...	C.F.A. Franc	459½
...	C. Peso	(Bk) 51.13
...	Renminbi Yuan	3.2751
...	C. Peso	(F) 75.47
...ls.	C.F.A. Franc	459½
...	C.F.A. Franc	459½
...	Colon	16.701
...	Cuban Peso	1.4661
...	Cyprus £	0.74185
...	Koruna	(com) 10.20
		(n.c.) 20.40
		(T) 17.65
...	Danish Krone	11.18
...	Fr	320 (g)
...(S)	E. Caribbean $	5.248
...	Dominican Peso	1.9420
...	Sucre	(O) 48.25
		(F) 50.44
...	Egyptian £	(O) 0.756
		(F) 1.326
...	Ethiopian Birr	(P) 4.0245
...	Peseta	156.30
...Is.	Falkland Is. £	1.0
...	Danish Krone	11.15
...	Fiji $	1.8022
...	Markka	7.795
...	French Franc	9.16¼
...	C.F.A. Franc	459½
...	Local Franc	9.1625
...	C.F.P. Franc	166.6
...	C.F.A. Franc	459½
...	Dalasi	4
...	Ostmark	4.18

Place and Local Unit		Value of £ Sterling
Germany West	Deutsche mark	4.18
Ghana (S)	Cedi	2.18 (sg)
Gibraltar (S)	Gibraltar £	1.00
Gilbert Is.	Aust. Dollar	1.7007
Greece	Drachma	69.761
Greenland	Danish Kroner	11.15
Grenada (S)	E. Caribbean $	5.248
Guadeloupe	Local Franc	9.1625
Guam	U.S. $	1.9420
Guatemala	Quetzal	1.9420
Guinea Rep.	Syli	41.161
Guinea Bissau	[illegible]	78.808
Guyana (S)	Guyanese $	4.95210
Haiti	Gourde	9.7100
Honduras Rep.	Lempira	3.88
Hong Kong (S)	H.K. $	8.9525
Hungary	Forint	(com) 72.67
		(nc) T 36.53
Iceland (S)	I. Krona	418.5 (bg)
India (S)	Ind. Rupee	15.6715
Indonesia	Rupiah	805.830
Iran	Rial	135
Iraq	Iraq Dinar	0.570808
Irish Rep. (k)	Irish £	1.00
Israel	Israel £	30.914
Italy	Lira	1695
Ivory Coast	C.F.A. Franc	459½
Jamaica (S)	Jamaica Dollar ‡‡	2.4275
Japan	Yen	469
Jordan (S)	Jordan Dinar	0.597 (sg)
Kampuchea	Riel	2430
Kenya (S)	Kenya Shilling	15.418
Korea (Nth)	Won	[illegible]
Korea (Sth)	Won	956.06
Kuwait (S)	Kuwait Dinar	0.542
Laos	Kip Pot Pol	389.4
Lebanon	Lebanese £	5.822
Lesotho	S. African Rand	1.684811
Liberia	Liberian $	1.9420
Libya	Libyan Dinar	(P) 0.57492
Liechtenstein	Swiss Franc	3.8525
Luxembourg	Lux Franc	65.55
Macao	Pataca	9.6885
Madeira	Portug'se Escudo	77.60
Malagasy Rp.	MG Franc	459½
Malawi (S)	Kwacha	1.6768
Malaysia (S)	Ringgit	4.686
Maldive Is. (S)	Mal. Rupee	7.652
Mali Rp.	Mali Franc	918.25
Malta (S)	Maltese £	0.75525
Martinique	Local Franc	9.1625
Mauritania	Ouguiya	92.665
Mauritius (S)	M. Rupee	12.588
Mexico	Mexican Peso	45.39
Miquelon	C.F.A. Franc	459½
Monaco	French Franc	9.1625
Mongolia	Tugrik	(O) 6.225
Montserrat	E. Caribbean $	5.248
Morocco	Dirham	8.26 (sg)
Mozambique	Moz. Escudo	62.1665
Nauru Is.	Aust. Dollar	1.7007
Nepal	Nepalese Rupee	24.275
Netherlands	Guilder	4.685
Neth. Ant'les	Antillian Guilder	3.47818
New Hebrides	Franc	148.075
	Austl. Dollar	1.7007
N. Zealand (S)	N.Z. Dollar	1.8959
Nicaragua	Cordoba	14.11
Niger Rp.	C.F.A. Franc	459½
Nigeria (S)	Naira	1.182680 (sg)
Norway	Norw. Krone	9.976
Oman Sultanate of (S)	Rial Omani	0.665
Pakistan	Pak. Rupee	19.15 (sg)
Panama	Balboa	1.9420
Papua N.G. (S)	Kina	1.4088

Place and Local Unit		Value of £ Sterling
Paraguay	Guarani	242.11
People's D. Rp. of Yemen (S)	S. Yemen Dinar	(A) 0.66519
Peru	Sol	(ex/C) 248.87
Philippines	Ph. Peso	14.516
Pitcairn Is.	£ Sterling	—
	New Zealand $	1.8959
Poland	Zloty	(Cm) 57.09
		T 61.80
Portugal	Port. Escudo	77.60
Port Timor	Timor Escudo	77.20
Principe Isle	Port. Escudo	77.80
Puerto Rico	U.S. $	1.9420
Qatar (S)	Qatar Ryal	7.64
Reunion Ile de la	French Franc	9.1625
Rhodesia	Rhodesian $	1.2625
Romania	Leu	(cm) 8.72
		(ncl) 23.47
Rwanda	Rwanda Franc	183.73
St. Christopher (S)	E. Caribbean $	5.248
St. Helena	St. Helena £	1.0
St. Lucia (S)	E. Caribbean $	5.248
St. Pierre	C.F.A. Franc	459½
St. Vincent (S)	E. Caribbean $	5.248
Salvador El	Colon	4.76
Samoa (Am)	U.S. $	1.9420
San Marino	Italian Lire	1.6395
Sao Tome	Port. Escudo	77.20
Saudi Arabia	Ryal	6.71
Senegal	C.F.A. Franc	459½
Seychelles	S. Rupee	15.35
Sierra Leone (S)	Leone	2.0
Singapore (S)	Singapore $	4.58
Solomon Is. (S)	Australian $	1.7007
Somali Rep.	Som Shilling	(A) 12.2245
Sth. Africa (S)	Rand	1.684811
S.W. Africa Territories (S)	S. A. Rand	1.684811
Spain	Peseta	166.30
Span. Ports in North Africa	Peseta	156.50
Sri Lanka (S)	S. L. Rupee	28.99
Sudan Rp.	Sudan £	(A) 0.6752
Surinam	S. Guilder	3.47818
Swaziland (S)	Lilangeni	1.67364
Sweden	S. Krona	8.8875
Switzerland	Swiss Franc	3.8525
Syria	Syria £	(A) 7.62275
Taiwan	New Taiwan $	(P) 73.795
Tanzania (S)	Tan. Shilling	16.41
Thailand	Baht	39.3526
Togo Rp.	C.F.A. Franc	459½
Tonga Is. (S)	Pa'anga	1.3855
Trinidad (S)	Trin. & Tobago	4.6808
Tunisia	Tunisian Dinar	0.771 (sg)
Turkey	Turkish Lira	34.70
Turks & Cs	U.S. $	1.9420
Tuvalu	Australian $	1.7007
Uganda (S)	Ug. Shilling	15.225
Utd. States	U.S. Dollar	1.9420
Uruguay	Uruguay Peso	(cm) 10.58
		(fn) 10.48
Utd. A'b Emts.	U.A.E. Dirham	7.64
U.S.S.R.	Rouble	1.307
Upper Volta	CFA Franc	459½
Vatican	Italian Lire	1.6895
Venezuela	Bolivar	8.32*
Vietnam Nth	Dong	(O) 5.1453
		(T) 4.8815
Vietnam (Sth)	Piastre	3.5927 (sg)
Virgin Is. U.S.	U.S. Dollar	1.9420
Western Samoa (S)	Samoan Tala	1.15882
Yemen	Ryal	8.72 (sg)
Yugoslavia	New Y Dinar	35.1377
Zaire Rp.	Zaire	1.580558
Zambia	Kwacha	1.425

...art of the French community in Africa formerly French West Africa or French Equatorial Africa.
...per pound
...has replaced the CFA franc. The exchange ...at a rate of CFA Frs 5 to one unit of the ...urrency.
...and Issas now Djibouti
...ates of oil and iron exports 8.1504.
...ongolian tugrik has lately been reported to stand ...official commercial rate of 0.??5 Russian roubles, the North Vietnamese dong at 0.306 roubles and the North Korean won at 0.7493 roubles. With the pound standing at 1.25 roubles the following relationships could be calculated for the pound £=3.69 tugriks, £=4.16 dongs, £=1.70 won.
** Rate is the Transfer market (controlled).
†† Rate is now based on 2 Barbados $ to the dollar.
‡‡ Now one official rate.
§§ Two-tier system introduced April 26. Rate is for exports, non-essential imports and tourism. Rate for essential imports 1.74788.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Euro-finance for Zaire

BY MARY CAMPBELL

A GROUP of international banks is expected to agree in principle to provide debt-troubled Zaire with a Eurocurrency facility of between $200m. and $250m. within weeks, banking sources said yesterday.

The loan has been under discussion for over a year. Last week formal invitations were sent out to banks which had expressed interest in participating in it. Amounts of at least $5m. are being sought from each bank.

Some of the detailed terms of the loan remain to be settled. However, it is agreed that the maturity will be five years and that interest will be payable at a margin of 2¼ per cent. over inter-bank rates.

Proceeds of the loan are to be used to pay for essential imports. Broadly, this will mean imports of spare parts and equipment needed to maintain Zaire's foreign exchange-earning industries such as the copper mines. The loan facility is to take the form of letters of credit to be opened by the lending banks and these will have to agree the list of essential imports for which the money is to be used before it can be drawn.

The draw-down period—the period during which the money will be made available to Zaire bit by bit—will be about 17 months, and repayments will start after 18 months.

The borrower will be the Banque du Zaire, the central bank.

The group of lending banks is not expected to include those which do not have loans outstanding to Zaire.

Once the group of banks which is to provide the funds has been formed, there will be a period during which the documentation will have to be completed before the money will be made available to Zaire. In addition, Zaire has still to fulfil some of the conditions which were laid down by the banks over a year ago before they were prepared to make a new loan.

Most notably it will have to bring itself up to date on repayments of principal from earlier bank loans.

Zaire has been paying money into an account with the Basle-based Bank for International Settlements for this purpose, but it is understood that it has hardly paid in any new money to this account since early last November. At that time, about $80m. had been paid in; Zaire was expected to be overdue on capital repayments to the tune of some $130m. by the end of last year.

Singapore insurance lift

BY H. F. LEE SINGAPORE, Jan. 23.

THE CONTINENTAL Corporation of the United States, one of the world's largest insurance groups, will this year place more than $1m. in inward reinsurance premiums into the Singapore market.

The amount is Continental's second largest reinsurance placement in Asia after Japan, and will be the forerunner of more annual placements which will increase in size each year.

This was disclosed by Mr. V. Lee Barnes, executive vice-president of the Continental Corporation.

Mr. Lee Barnes noted that this certainly must be the largest volume of insurance premiums to enter Singapore from markets outside Asia.

Continental currently has three operations in Singapore — the Firemen's Insurance Company, Marine Office of American Corporation (MOAC) and Diner's Club.

Kenya opens motor plant

BY JOHN WORRALL . NAIROBI, Jan. 23.

THE THIRD of Kenya's $13m. rash of new commercial vehicle assembly plants, Associated Vehicle Assemblers (AVA) of Mombasa, has been officially opened by President Kenyatta.

The AVA is a consortium formed by Inchcape (East Africa) Ltd., (24.5 per cent.), Kenya Motor Holdings, a Lonrho subsidiary (24.5 per cent.), the Kenya Treasury (26 per cent.) and the Kenya Industrial Development Bank (25 per cent.) The plant is assembling Toyota, Mazda, Peugeot, Mercedes and Ford commercial vehicles from CKD kits.

The £3m. plant is already on stream with 13 vehicles a day and aims to produce about 4,500 a year, mainly for the booming local market of which AVA expects to have about 50 per cent.

Employment is already provided for some 400 workers, but the work force is due to be expanded to 600 in February with the introduction of a second shift.

TOYO KOGYO

Working with Ford

JAPAN'S THIRD largest car-maker, Toyo Kogyo, has asked Ford Motor Company for permission to boost production of its small trucks sold under the Ford name in the U.S. as part of a business tie-up sealed in 1971. But the maker of Mazda cars, who pioneered the commercialisation of rotary engines in passenger cars, has denied emphatically that there is any immediate prospect of Ford taking a capital stake in the company, which is still recovering from a $55m. loss in 1975.

The possibility of a capital tie-up between Toyo Kogyo and Ford—not unlike the one already in existence between General Motors and Isuzu (a 34.2 per cent. stake)—has been a recurrent subject of discussion.

Mr. Yoshiki Yamazaki, president of the Hiroshima-based car company, however, has said that Toyo Kogyo and Ford "have not talked at all about a capital tie-up." The company's main bankers, who have taken an aggressive role in trying to sort out Toyo Kogyo's finances, also denied the story. According to Sumitomo Bank president Mr. Ishiro Isoda, there have been "no negotiations whatsoever" with Ford on a capital stake in Toyo Kogyo. Sumitomo's managing director, Mr. Tatsumi, noted that in 1970 Ford asked to buy into Toyo Kogyo but those negotiations were disbanded in favour of the more limited licensing and trade tie-up under which Toyo Kogyo produces Courier-brand small trucks for sale in the U.S. by Ford.

Mr. Tatsumi told the Financial Times that production of the small trucks has been running at just under 7,000 a month, and that Toyo Kogyo has formally asked Ford to step up its orders, by simply expanding production of the present model, or by producing diesel engine Couriers above and beyond output of the present model. Ford, for its part, has not yet answered Toyo Kogyo's request.

Toyo Kogyo, the maker of Mazda cars, has said emphatically that there is no immediate prospect of Ford Motor Company taking a capital stake in Toyo Kogyo, which is still recovering from a $55m. loss in 1975. But it remains the consensus in industrial circles, writes DOUGLAS RAMSEY from Tokyo, that at some point, perhaps when Toyo Kogyo's finances are in better shape, Sumitomo Bank—the Hiroshima car-maker's main bankers—may try to arrange a capital link with Ford. If ever a tie-up were arranged, it would be primarily on the strength of Toyo Kogyo's overseas operations in the compact car markets.

Sumitomo Bank officials insist that in its present situation Toyo Kogyo does not envisage any boost in capital, either from foreign or domestic sources. Says Mr. Tatsumi: "At present, Toyo Kogyo is planning on an 8 per cent. (Y4) dividend, and we all feel that any capital increase should be based on a consistent 10 per cent. per annum dividend." The banker also noted that any tie-up between Ford and Toyo Kogyo would come under stiff scrutiny by antitrust officials in Japan and the U.S.

In fact, although Toyo Kogyo's finances remain very shaky indeed, the company posted very impressive sales gains in 1977. For the fiscal year to October 31, the company recorded Y628.3bn. in sales, up 7 per cent. on the previous year. But production figures released last week by the company show that in calendar 1977 output rose by 11.6 per cent. to 800,003 units, and sales by 13.5 per cent. to 825,231 units—thus allowing Toyo Kogyo to draw down some of its heavy stocks left over from 1975 and 1976.

Almost the entirety of Toyo Kogyo's increased sales came from exports in 1977, although the company is predicting a boost in domestic sales this year.

Profits, nevertheless, have remained marginal. Since the heavy loss of 1975 (when current losses of Y17.3bn. came with a Y1.7bn. net loss), the company has managed to post recurring profits of Y5.6bn. and Y8.2bn. in the last two years respectively, although admittedly on the strength of massive sales of securities and properties. Thus, during 1976 and 1977 net income has been only Y1bn. and Y1.1bn. respectively—and Toyo Kogyo's decision to continue paying its Y4 dividend per annum has meant that in the last two years the dividend burden has amounted to a bit over Y1bn. each year, or about enough to wipe out the bottom-line earnings.

Still, Toyo Kogyo's performance on exports remains strong, and if ever a tie-up with Ford were arranged it would be primarily on the strength of the company's overseas operations in the compact car market, although Ford also wants its own foothold in Japan like GM. For now, according to Mr. Tatsumi, there are no plans for negotiations on a capital stake for Ford. But it remains the consensus in industrial circles that at some point, perhaps when Toyo Kogyo's finances are in better shape, Sumitomo Bank may try to arrange a capital link-up with Ford. Meantime, Sumitomo and Toyo Kogyo will be able to gauge Ford's interest by its response—expected soon—on higher production orders for small trucks from the Hiroshima company.

Loss by Jessel Properties

BY RICHARD ROLFE JOHANNESBURG, Jan. 23.

JESSEL Properties, the South African township developer placed into judicial management in 1974, recorded a consolidated loss of R10.7m. in its year to June 30, 1977, according to the annual report which has just been published.

The deficit is over twice the level of the previous year. The total "adverse balance" shown in the annual report amounts to R28.5m.

The statement of source and application of funds shows a decline in the value of debtors and an increase in the group's overdraft by R18.3m., bringing total bank overdrafts to R40.2m. The bulk of this has been supplied by Barclays National, the group's principal bankers.

Funds have been applied to the loss for the year, to payments on development expenditure, mainly provision of services to townships, of R8.2m., and also to a decrease in long-term indebtedness and a reduction in the level of creditors.

The judicial managers, whose report is summarised, say that "the lagging recovery of confidence in the property market has meant a delayed cash flow, resulting in a compounding of the interest and overdraft burden."

However, the judicial managers note some signs of improvement. First, they say, most of the group's residential stands are now fully serviced, and "considerable advances are being made in development of its townships." They say that in view of Barclays National's continued support, "we intend to continue operating the group as a going concern."

At June 30, shareholders' interest was put at a deficit of R6.4m. and the principal holders of the shares, now in their fourth year of suspension, were Jessel Securities, with 22 per cent., and Land Investment and Development (a Lonrho associate) with 20 per cent.

Hakodate Dock seeks Y9bn. loans

TOKYO, Jan. 23.

HAKODATE DOCK Company was seeking a total of Y9bn. in new loans from a group of banks, Mr. Hideo Goda, the chairman said, Reuter reports from Tokyo.

The company announced late last month it was seeking new financing to cover a shortage of operating funds, but declined at the time give the amount.

Senior managing director Tokuji Shirato said last month the company might have to seek a moratorium on some outstanding loans if the new loans were not forthcoming.

Mr. Goda said the company was not asking its banks for the time being for rescheduling of its long term debt totalling Y14bn.

Of the Y9bn., Y4.5bn. would be used to pay retirement allowances for about 500 employees, and the other half to cover the shortage of operating funds, which, Mr. Goda said, had been caused by the recession in the world shipbuilding market.

The company would in future concentrate on its machine and ship repair divisions, since it would be difficult to get new shipbuilding orders, which accounted for around 80 per cent. of the concern's total business in the past.

The group of about 10 banks is the same as that which lent Y5bn. to Hakodate last September when the company launched a programme to cut its 3,200 strong workforce by over 10 per cent. It is led by Fuji Bank and Hokkaido Takushoku Bank. Reuter

Asahi Chemical-Kanebo

ASAHI CHEMICAL Industry Company and Kanebo Ltd., both leading synthetic fibre makers, have agreed in principle to establish a joint sales company in the face of poor demand for textiles and depressed business conditions, reports AP-DJ.

An agreement is expected to be signed shortly which will bring sales of long polyester and nylon fibres and short fibre acrylics into one sales company.

AUSTRALIAN NEWS

Power strike hits APM's half-time profit

BY JAMES FORTH SYDNEY, Jan. 23.

THE MAJOR power strike in Victoria late last year brought to an end the strong profit growth of Australian Paper Manufacturers over the past two years. The directors of the paper, timber and woodpulp group to-day reported a dip in earnings for the half year to December 31, from $A8.69m. to $A8.26m.

The Board said that the power strike had a serious effect on profitability resulting in a $A6m. loss of production. The setback halted the trend which lifted profits from just over $A10m. in 1975 to a record $A18.2m. last year.

The directors have declared an unchanged interim dividend of 4 cents a share. Shares from the 1977 rights issue will receive 3 cents a share.

Sales of pulp, paper and paperboard dipped from 336,830 tonnes to 324,250 tonnes.

The directors said they believed Australia can overcome its present economic difficulties and was about to enter a period of "renewed economic growth." The APM Group was planning for the future with confidence and had spent $A20m. on capital projects during the past half-year. The cost to complete projects in hand would be about $A28m.

The result was after a drop in tax from $A4.1m. to $A3.3m. mainly because of tax rebates on dividends received and a net reduction of $A1.6m. in tax arising from afforestation activities and because of differences between company provisions and allowances under income tax law.

The directors added that all operating subsidiaries traded profitably in the half-year except APM Wood Products Pty. Ltd., which incurred a loss because of depressed market conditions in the home building industry and production losses because of the power strike.

MLC business again reaches record

THE MLC Ltd., the major Australian life office, posted its 25th year of record business in 1977. Total new sums assured amounted to $A2.785bn., the first time over the $A2bn. level. Of this, term insurance accounted for $A764m., a rise of 17.6 per cent., superannuation $A1.702bn. (up 7.5 per cent.) and collecter insurance $A319m.

The term insurance represented 38 per cent. of total business, compared with 33 per cent. last year and 27 per cent. in 1975.

Premium income on new business edged up 3 per cent.

Bond rates ease further

BY OUR OWN CORRESPONDENT SYDNEY, Jan 23

AUSTRALIAN GUARANTEE Corporation, Australia's largest finance company and a partly-owned subsidiary of the Bank of New South Wales, fuels the decline in interest rates with its latest $A200m Debenture issue. This is to carry a coupon of 11 per cent. for four to five years, the first debenture from the company for more than four years which has not offered a 12 per cent. rate. Other rates offered by the financier have been trimmed across the board.

The new offering by AGC confirms the declining trend of interest rates. The Government, through the Reserve Bank, has been manoeuvring bond rates lower since last October. The long term bond rates has now come back from 10.5 per cent. to a current level of just under 9.3 per cent.

The Government is on record as hoping to reduce official interest rates by 2 to 8.5 per cent. for the long term (ten years and longer) bond rate by the end of 1978. AGC is not the first financier to break through the long-standing 12 per cent. barrier. Two other bank-backed financiers, CBFC and Custom Credit, recently issued prospectuses with a top rate of 11.5 per cent., but AGC is the first to step down to 11 per cent. AGC's group general manager, Mr. Ken Lambeth, said the new rates reflected the general market trend, and the directors expected the new prospectus would continue to be well supported, but at a somewhat lower level of intake than experienced in recent weeks. This would suit AGC as the level of demand had not supported the rate at which funds were flowing to the company.

The AGC rate reduction will increase the likelihood that it will be followed by reductions in borrowing rates, which should stimulate demand. However, it is considered that it could still be some weeks, and possibly months, before general reductions in lending rate occur.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 9¼pc 1989	97	97½
AMEV 8pc 1987	95½	96½
Australia 8½pc 1992	95½	96
Austrln. M. & S. 9½pc '92	98½	99
Barclays Bank 8½pc 1992	97	97½
Bowater 9½pc 1992	97½	98
Can. N. Railway 8½pc 1986	96	96½
Credit National 8½pc 1986	97½	98½
Denmark 8½pc 1984	99½	100½
ECS 9pc 1995	98½	99½
ECS 8½pc 1997	97	97½
EIB 8½pc 1997	98½	99½
EMI 9½pc 1989	98½	99
Ericsson 8½pc 1989	96½	97½
Esso 8pc 1986 Nov	99½	100½
Gt. Lakes Paper 8½pc 1984	99½	100
Hamersley 9½pc 1992	100½	101
Hydro-Quebec 9pc 1992	95½	96½
ICI 8½pc 1987	96½	97½
ISE Canada 9½pc 1986	102½	103½
Macmillan Bloedel 9pc '92	96½	97½
Massey Ferguson 9½pc 1991	102½	103
Michelin 9½pc 1988	100½	101½
Midland Int. Fin. 8½pc 1992	97½	98
National Coal Bd. 8pc 1987	94½	95½
Natnl. Wstmnstr. 9pc 1986	102½	103½
Newfoundland 9pc 1989	99½	100
Norges Kom. Bk. 8½pc '92	95½	96½
Norpipe 8½pc 1989	95½	96½
Norsk Hydro 8½pc 1992	95½	96½
Oslo 9pc 1988	100½	101
Ports Autonomes 9pc 1991	99	99½
Prov. Quebec 9pc 1995	95½	96½
Prov. Saskatch. 8½pc 1986	98½	99½
Reed International 9pc '87	94½	95
RHM 9pc 1992	94½	95½
Selection Trust 8½pc 1989	91½	92½
Skand. Enskilda 9pc 1991	98½	99½
SKF 8pc 1987	93	93½
Sweden (K'dom) 8½pc 1987	95½	96
United Biscuits 9pc 1989	98½	99½
Volvo 8pc 1987 March	93½	94
NOTES		
Australia 7½pc 1984	95	95½
Bell Canada 7½pc 1987	94½	95½
Br. Columbia Hyd. 7½pc '85	93½	94½
Can. Pac. 8½pc 1984	99	99½
Dow Chemical 8pc 1986	96	96½
ECS 7½pc 1982	96½	97
ECS 8½pc 1989	96½	97½
EEC 7½pc 1982	97	97½
EEC 7½pc 1984	96	96½
Enso Gutzeit 8½pc 1984	98½	97½
Gotaverken 7½pc 1982	93	93½
Kockums 8pc 1983	97½	98½
Michelin 8½pc 1983	99½	100½
Montreal Urban 8½pc 1981	99	99½
New Brunswick 8pc 1984	96½	97
New Bruns. Prov 8½pc '83	102½	103
New Zealand 8½pc 1986	97½	98
Nordic Inv. Bank 7½pc 1984	95½	96½
Norsk Hydro 7½pc 1982	97½	98½
Norway 7½pc 1982	96½	97½
Ontario Hydro 8pc 1987	95	95½
Singer 8½pc 1982	99½	100½
S. of Scot. Elec. 8½pc 1981	99½	100½
Sweden (K'dom) 7½pc 1982	98	98½
Swedish State Co. 7½pc '82	97	97½
Telmex 9½pc 1984	98	98½
Tenneco 7½pc 1987 May	93	93½
Volkswagen 7½pc 1987	93½	94½
STERLING BONDS		
Courtaulds 9½pc 1989	98	96½
ECS 9½pc 1989	100	101½
EIB 9½pc 1992	97	97½
Finance for Ind. 9½pc '87	98	98½
Fisons 10½pc 1987	99½	100
Total Oil 9½pc 1984	96	96½
DM BONDS		
Austria 6½pc 1986	106½	107
BFCE 7pc 1987	104½	105½

	Bid	Offer
Denmark 6½pc 1985	104½	105
EIB 6½pc 1984	105½	106½
Grand Met. 7pc 1984	101½	102½
Hydro-Quebec 6½pc 1987	101	101½
ICI 6½pc 1987	103½	104
Montreal 7pc 1987	102	102½
Norsea Gas 7pc 1989	106	106½
Norsk Hydro 6½pc 1989	105½	106
Norway 5½pc 1982	103½	104½
Shell 6½pc 1989	107½	106½
Spain 6½pc 1984	100½	101½
Sweden 6½pc 1984	105	105½
World Bank 6½pc 1987	103½	104½
FLOATING RATE NOTES		
Bank of Tokyo 1984 7 13/16 pc	99½	99½
BFCE 1984 7pc	98	98½
BNP 1983 6½pc	99½	99½
CCF 1983 8pc	99½	99½
CGMF 1984 8 13/16 pc	99½	98½
Creditanstalt 1984 7½pc	99½	99
Credit Lyonnais 1982 6½pc	99½	99½
DG Bank 1982 7 13/16 pc	99½	100½
GZB 1981 7½pc	100½	100½
Intl. Wstmnstr. '84 7 15/16 pc	99	99½
Lloyds 1983 7½pc	99½	100½
LTCB 1982 6½pc	99½	99½
Midland 1982 8pc	101	101½
Midland 1987 7 11/16 pc	98½	98½
OKB 1983 8½pc	99½	99½
SNCF 1985 6 15/16 pc	98	98½
Stnd. and Chtrd. '84 6½pc	99½	99½
Wms. and Glyns 1984 7pc	99½	99½
Source: White Weld Securities.		
CONVERTIBLES		
American Express 4½pc '87	79½	80½
Ashland 5pc 1988	88½	90½
Babcock & Wilcox 6½pc '97	95	96
Beatrice Foods 4½pc 1992	93	95
Beatrice Foods 4½pc 1992	99½	101½
Beecham 6½pc 1992	99	100
Borden 5pc 1992	98	101
Broadway Hale 4½pc 1987	73	75
Carnation 4pc 1987	76½	78½
Chevron 5pc 1988	112½	114½
Dart 4½pc 1987	79	81
Eastman Kodak 4½pc 1988	82	84
Economic Labs. 4½pc 1987	77	78
Firestone 5pc 1988	80½	82½
Ford 5pc 1988	81½	83½
General Electric 4½pc 1987	80	82
Gillette 4½pc 1987	73½	77½
Gould 5pc 1987	111½	113½
Gulf and Western 5pc 1988	75	77
Harris 5pc 1992	130½	132½
Honeywell 6pc 1986	84½	86
ICI 6½pc 1992	85½	86½
INA 6pc 1997	92	93
Inchcape 6½pc 1992	107	108
ITT 4½pc 1987	74	78
Jusco 6pc 1992	106	107
Komatsu 7½pc 1990	104	105
J. Ray McDermott 4½pc '87	154	156
Matsushita 6½pc 1990	119	120
Mitsui 7½pc 1990	106½	107½
J. P. Morgan 4½pc 1987	94½	96½
Nabisco 5½pc 1988	98	100
Owens Illinois 4½pc 1987	113½	115½
J. C. Penney 4½pc 1987	74	76
Revlon 4½pc 1987	122	124
Reynolds Metals 5pc 1988	82	84
Sandvik 6½pc 1988	101½	103
Sperry Rand 4½pc 1987	80	82
Squibb 4½pc 1987	77	79
Texaco 4½pc 1988	76½	78½
Toshiba 6½pc 1992	96½	97½
Union Carbide 4½pc 1982	89½	91½
Warner Lambert 4½pc 1987	77½	79½
Warner Lambert 4½pc 1988	71½	73½
Xerox 5pc 1988	75½	77½
Source: Kidder, Peabody Securities.		

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

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...odate D... ...s Y 9bn. ...

...RICAN NEWS

...les rise ...for ...1 Pont

...ILMINGTON, Jan. 23.
...NT Company said while ...les of $9.44bn. rose 13 ...t. from $8.36bn. in 1976, ...cent. of the rise came ...gher physical volume and ...ent. from increased sell...es.
...ont reported 1977 earn...e 19 per cent. to $11.06 ...from $9.30 a share in ... Net income for 1977 ...$545m., compared with ...in 1976, it said.
...group earned $2.42 a ...n the fourth quarter, ...d with $1.87 a share in ...period, and $2.91 in the ...ird quarter.
...h quarter earnings were ...d by foreign exchange ...of 21 cents a share. ...ility remains "far from ...tory" with profit margins ...tially below the level of ...e ago, said a spokesman. ...ompany said fourth quar...rnings from chemicals, ...and speciality products ...2.22 a share or 92 per ...the total company earn...r the quarter up from ...the fourth quarter of
...'s operations earned 20 ...a share in the fourth ...of 1977 versus a modest ...year earlier.

...can returns ...uptrend

...obert Gibbens

MONTREAL, Jan. 23.

...ER PRICES for ingot and ...ted products and good ...d, particularly in North ...a, brought an upturn in ...Aluminium earnings in ...o $201.5m. or $4.98 per ...against the depressed ...or $1.14 in 1976.
...n expresses its results in ...ollars. The fourth quarter ...strong, with earnings of ...1. or $1.55 a share. Year's ...e was $3.06bn. against ...n., and in the fourth ...r $780m. against $707m.
...977 the Canadian smelting ...returned to good profit...after the 1976 strike, and ...d results for Aluminum ...any of Canada, the Cana...smelting subsidiary.
...pace in 1978 will depend ...y on the state of the world ...my, but "our present sales ...ate for the first quarter is ...r than sales for the fourth ...er of 1977."
...1977 profit was reduced ...4m., the net value of assets ...provision for closing down ...Newfoundland fluorspar min...operation.
...rrent and deferred income ...rose from $37.4m. to ...3m in 1977, with the effec...tax rate remaining at 39 ...cent. However, in the fourth ...ter the effective tax rate was ...25 per cent., due to invest...credits in Canada and ...en currency translation ...ts on inventory costs mainly ...urope.

Occidental earnings rise but restatement needed

LOS ANGELES, Jan. 23.

OCCIDENTAL PETROLEUM Corporation's net income for 1977 based on preliminary estimates is expected to be $215m., a 17 per cent. increase over the $183.7m. earned in 1976.

Primary earnings per share for 1977 are estimated at $2.87 against $2.77 in 1976, while fully diluted share earnings for 1977 are expected to be $2.58 against $2.27 in 1976.

Preliminary estimates indicate that net income for the 1977 fourth quarter will be about $72m. or 93 cents a share primary against year-ago net of $71.7m. or $1.14 primary, Occidental Petroleum said.

Fully diluted fourth quarter share net was 85 cents against 90 cents.

Increased earnings in the oil and gas division were responsible for the improvement in the 1977 fourth quarter as compared to 1976, the company noted.

Oil and gas division earnings improved substantially in 1977 due primarily to the U.K. North Sea operation. This improvement more than offset lower earnings from the Island Creek coal division. The company said coal division earnings were affected by adverse weather conditions, strikes and the industrywide coal strike.

But the financial accounting Standards Board's call for application by oil companies of Financial Accounting Standard (FAS) number 19 will require a restatement of Occidental's net income for 1977 and prior years.

Based on preliminary estimates publication of FAS 19 will result in a considerable non-cash charge against retained earnings and changes in net income as originally reported for 1977 and prior periods. The changes in net income for each period resulting from the restatement will vary substantially depending on levels and success of exploration activities during each period and may result for certain periods in a considerable reduction in previously reported net income.

● COMMONWEALTH OIL REFINING COMPANY said that its interim borrowing arrangements have again been extended by its bank lenders and certain other creditors on a day-to-day basis, this time until January 31, 1978.
AP-DJ

Price rises boost Caterpillar

PEORIA, Jan. 23.

CATERPILLAR TRACTOR has announced record consolidated sales and profit for 1977.

Consolidated profit was $445.1m. or $5.16 a share, 71 cents more than in 1976 and 52 cents more than the previous record of $4.64 in 1975. Sales of $5.8bn. were 16 per cent. higher than in 1976.

The increase in sales resulted almost equally from a greater physical volume of shipments and from price increases implemented because of high inflationary costs for labour, materials and services. The increase of physical volume was the major factor contributing to the profit improvement.

Also contributing to the higher profit was the benefit of cost reduction efforts including the close monitoring of inventories and strict controls on employment.

Partially offsetting these favourable factors, says Caterpillar, were manufacturing costs incurred in some countries which suffered on currency conversion.

An increase in the effective income tax rate from 40.5 per cent. to 43.0 per cent. due to reduced benefit from the company's domestic international sales corporation (DISC), higher State income taxes, and the repeal of the U.S. tax provision which permitted earnings of certain non-U.S. subsidiaries to be taxed at less than the U.S. statutory rate also offset more positive factors.

In the U.S., sales were $2.8bn. compared with $2.1bn. in 1976, an increase of 37.4 per cent., reflecting both increased prices and demand.

Continental Illinois record

CHICAGO, Jan. 23.

CONTINENTAL ILLINOIS Corporation, parent of Continental Illinois National Bank and Trust Company of Chicago, reported a record annual income before security transactions of $144.2m. for 1977, up 10.2 per cent. from the $130.7m. recorded in 1976.

Per share income before security transactions was $4.05 compared with $3.72 in 1976.

Net income for the year was $143.1m., or $4.02 per share, up 11.9 per cent. from $127.8m. or $3.63 per share reported in 1976.

The fourth quarter income before security transactions rose to a record $41.5m. or $1.16 per share, up 18.1 per cent. from the previous record level of $35.1m. or 99 cents per share reported in 1976.

Continental Illinois said its provision for loan losses was $53.5m., down from the $75m. provision in 1976.

Net charge-offs for the year were $52.3m., including $34.6m. related to real estate credits, compared with $72.7m. in net charge-offs in 1976, which included $56m. related to real estate credits, the company said.

Valuation reserve on loans at year-end was $165.8m. compared with $163.3m. a year earlier.
Agencies

Arco delays $1bn. California complex

BY KEVIN DONE, CHEMICALS CORRESPONDENT

ATLANTIC RICHFIELD, one of the largest U.S. oil groups, has postponed a major $1bn. petrochemicals project, the second time it has pulled back from such an investment within the space of three months.

The company said yesterday that it is postponing further work on its planned $1bn. petrochemical complex in Solano County, California. The plant was to have produced a wide range of base petrochemicals, ethylene, propylene and butadiene, which act as the raw materials for the plastics, rubber, solvents and fibres industries.

Arco said that the planned complex had been postponed indefinitely, because of the projected nationwide overcapacity for the proposed products. It said it might renew plans for the project at a later date.

Three months ago Arco pulled out of a planned $1bn. petrochemical complex in the Texas Gulf area, which it had formed as a joint venture with Du Pont, the largest U.S. chemical company.

Du Pont is still reportedly looking for another partner to press on with the project, despite the fact that Arco said it was dropping the scheme, because of the developing overcapacity

No signs of solution in Unidal dispute

By Paul Betts

ROME, Jan. 23.

FOLLOWING NEARLY 48 hours of talks between trade union representatives, the state holding company IRI and the budget minister, Sig. Tommaso Morlino, there were still no signs of any definite agreement to-night on the seven months old dispute over the fate of the state-controlled confectionery group, Unidal.

IRI, Unidal's parent company, has announced its intention to liquidate the food manufacturing concern which groups together two of Italy's oldest confectionery companies, Motta and Alemagna, and employs more than 8,000 people. Over the past two years, Unidal is reported to have lost some L100bn. (£68m.) and accumulated debts totalling about L130bn.

While both the unions and the state authorities have indicated their willingness to compromise on a solution over the Unidal affair, it is now clear that any final agreement is unlikely to be reached until the current Italian Government crisis is resolved.

The unions have accepted in principle the need for a restructuring of the state food manufacturing industry, but are now seeking guarantees from IRI and the budget ministry that current employment levels will be maintained. IRI, however, has indicated that some 5,000 people presently employed in Unidal will have to be laid off in order to effect the proposed restructuring programme.

Both sides to-day appeared to be prepared to make some concessions—on the part of the state to reduce the number of redundancies, while on the side of the unions to agree to the principle of labour mobility in an eventual restructuring programme — but were clearly reserving judgement on the outcome of the Government crisis.

The Unidal affair has become a test case in Italy over the general issue of the restructuring of the state sector, now facing one of its worst crises since the economic recession of the thirties.

Steyr-Daimler-Puch

STEYR-DAIMLER-PUCH, the Austraian motor concern, is to increase its capital by Sch.200m. (about £6.6m.) to Sch.1.2bn. through a one-for-five rights issue next month, writes Paul Lendvai from Vienna. The shares will be priced at 160 per cent. which means the company will have an infusion of new funds to the tune of Sch.320m.

Lafarge expects profit to drop by a fifth

BY DAVID CURRY

PARIS, Jan. 23.

THE CONTROL of prices in France, the continued crisis in the steel industry, and the decline in value of the Canadian dollar have combined to depress sharply the consolidated profit of the French cement maker Lafarge.

M. Olivier Lecerf, the chairman of the group, estimates in a shareholders letter that the result accruing to the group will be 20 or 30 per cent. down on 1976 which was itself some 40 per cent. above the previous year.

However, thanks to extraordinary gains, partly transfers within the group and partly straight disposal of assets, the parent company should register a net profit of some Frs.84m., representing a gain of around a fifth. This will permit the dividend to be held.

In 1977 the French cement division which is the basis of the group was permitted a 7 per cent. price increase. The Barre measures of September 1976 caught the projected 6 per cent. earlier increase which has never been caught up. The steel industry represents around half the market for the group's refractory products, which explains the losses expected in this division.

While Cinents Canada Lafarge will have produced results broadly similar to last year the decline in the value of the Canadian dollar clipped its profits contribution. M. Lecerf estimates that a decline of 10 centimes in the value of the dollar translates into a Frs.2m. loss to profit contribution. In contrast, the decline of the American dollar has helped to lighten the burden of the group's debts.

M. Lecerf notes that deliveries in Canada have been roughly equivalent to the previous year and that a return to price freedom is promised for the spring. The results of the U.S. operation, Citadel Cement, have been slimmed down by the costs of bringing the Demopolis, Alabama, works on stream.

The manufacture of plaster prefabricated products, and, to a more limited extent, powdered plaster, has been a strong point in 1977, but the good start to the year in the sanitary and ceramics division failed to persist and these divisions will end up in the red, packaging will repeat 1976's profit performance.

During the year Lafarge made an offer to buy the 45 per cent. of shares in public hands of the U.K. subsidiary the Lafarge orgainsation.

The object being to bring under its control all the capital of Lafarge Fondu International, of which the Lafarge organisation controlled 37 per cent. of the shares. This operation, accepted by shareholders in December, should be complete by the end of the month.

* * *

GENERALE ALIMENTAIRE, a subsidiary of the Generale Occidentale group has posted a provisional net profit for the first half of its financial year ending next March 31 of Frs.17.87m., down from Frs.23.58m. in the same period a year ago.

EUROBONDS

Late activity in D-Mark issues

BY MARY CAMPBELL

MOST SECTORS of the market were quiet yesterday, though up in the afternoon, dealers said.

Two new issues were launched in the D-Mark sector, while there is also a private placement in the course of being arranged. The Long Term Credit Bank of Japan's $60m. floating rate note also came to market.

One of the new D-Mark issues is DM80m. for Finland's TVO power company—as expected it is offering 6 per cent. on a 10-year maturity (average life 1½ years) via WestLB. The other is Argentina's 6¾ per cent. seven-year DM100m. issue. This came on offer yesterday afternoon via Deutsche Bank and was in heavy demand, like the Brazilian issue which closed last week.

The private placement, which is also being arranged by Deutsche Bank, is DM50m. for Estel. It offers a coupon of 5¾ per cent. at 100½ for a seven-year final maturity.

The $60m. floating rate note for Japan's Long Term Credit Bank will have a minimum coupon of 6¾ per cent. and a final maturity of five years. The spread over inter-bank rates is as usual a quarter of a point.

Like the $40m. issue arranged last for the same borrower last year, the issue is being offered simultaneously in the Far East and in Europe, and will be listed in Singapore as well as Luxembourg. First Boston (Europe) and Credit Lyonnais are joint lead managers.

The dollar sector, though quiet, retained the surer undertone evident in the latter half of last week.

Sweden's foreign borrowing

BY WILLIAM DULLFORCE

STOCKHOLM, Jan. 23.

THE SWEDISH State expects to borrow some Kr.8-10bn. (£890m.-£1.1bn.) abroad this year, or roughly the same amount as it took up last year, Mr. Lars Kalderen, Director of the National Debt Office, confirmed to-day.

However, it is understood that the Office is not likely to go to the market for the next two months or so. Mr. Kalderen explained that the 1978 borrowing programme had not yet been submitted to the Government and no decisions on loans had yet been taken.

Molini sells Raimondi

By John Wicks

ZURICH, Jan. 23.

ITALIAN milling concern Molini Certosa, which is controlled by Credit Suisse, has sold its 80 per cent. holding in Carol Raimondi fu Rodolfo SPA, of Milan, to Finstock Holdings, also of Milan.

Raimondi, which manufactures tower cranes, booked a loss last year of L432.6m., or a large proportion of its share capital of L900m. Finstock is itself owned by Credit Suisse.

A spokesman for the bank said in Zurich to-day that the purchase had taken place for "organisational reasons." Molini Certosa, currently the subject of a lawsuit against Credit Suisse, is restructuring its operations, which in future are to be limited to milling.

* * *

SWITZERLAND'S four big banks—Union Bank of Switzerland, Swiss Bank Corporation, Credit Suisse, and Swiss Volksbank—have decided to reduce by 0.25 per cent. the interest on their medium-term over-the-counter bonds, the so-called "Kassenobligationen." As from January 23, the rates will be 3 per cent. for three and four years' maturities, 3.25 per cent. for five- and six-year bonds, and 3.5 per cent. for seven to eight years. The rates were last reduced as recently as December 27.

...QUARTERLIES

...D CHEMICAL

...Quarter	1977 $	1976 $
...ue	757m.	658m.
...profits	35.9m.	41.2m
...per share	1.28	1.48
...ue	2.9bn.	2.6bn.
...rofits	132m.	117m.
...per share	4.70	4.19

...MONWEALTH EDISON

...Quarter	1977 $	1976 $
...ue	523m.	478m.
...rofits	59m.	64m.
...er share	0.63	0.83
...ue	2bn.	1.9bn.
...rofits	248m.	241m.
...er share	2.86	3.20

...INC.

...Quarter	1977 $	1976 $
...ue	235.4m.	214.4m.
...rofits	13.1m.	14.1m.
...er share	1.10	1.20
...ue	920.1m.	841.7m.
...rofits	55.5m.	54m.
...er share	4.70	4.68

...CORP.

...Quarter	1977 $	1976 $
...ue	359.5m.	337.8m.
...rofits	7m.	8.6m.
...er share	0.75	0.91
...nths		
...ue	725m.	673.2m.
...rofits	17.3m.	19.7m.
...er share	185	2.11

CHARTER N.Y.

Fourth Quarter	1977 $	1976 $
Net profits	13.4m.	12.6m.
Net per share	1.53	1.43

MINNESOTA MINING & MFG.

Fourth Quarter	1977 $	1976 $
Revenue	1bn.	875.4m.
Net Profits	108.9m.	88.9m.
Net Per Share	0.94	0.77
Year		
Revenue	4bn.	3.5bn.
Net Profits	412.9m.	338.5m.
Net Per Share	3.57	2.94

PACIFIC GAS & ELECTRIC

Fourth Quarter	1977 $	1976 $
Net profits	66.0m.	71.2m.
Net per share	0.73	0.81
Year		
Net profits	282.4m.	238.3m.
Net per share	3.15	2.90

UNITED STATES TST. OF N.Y.

Fourth Quarter	1977 $	1976 $
Net profits	2.8m.	2.6m.
Net per share	0.94	0.86
Year		
Net profits	9.2m.	8.9m.
Net per share	3.07	2.97

MEAD CORP.

Fourth Quarter	1977 $	1976 $
Revenue	487.9m.	403.7m.
Net Profits	22.3m.	21.6m.
Net Per Share	0.94	0.87
Year		
Revenue	1.82bn.	1.59bn.
Net Profits	98m.	88.8m.
Net Per Share	4.10	3.61

OWENS-CORNING FIBERGLAS

Fourth Quarter	1977 $	1976 $
Revenue	439.1m.	297.0m.
Net profits	35.8m.	21.2m.
Net per share	2.38	1.41
Year		
Revenue	1.48bn.	1.08bn.
Net profits	112.5m.	71.8m.
Net per share	7.48	4.80

ETHYL CORP.

Fourth Quarter	1977 $	1976 $
Revenue	318.2m.	289.3m.
Net profits	17.6m.	15.7m.
Net share dil.	0.86	0.72
Year		
Revenue	1.28bn.	1.13bn.
Net profits	78.0m.	69.1m.
Net share dil.	4.29	3.59

ALCOA

Fourth Quarter	1977	1976
Revenue	826.5m.	140.4m.
Net Profits	44.78m.	39.63m.
Net Per Share	1.27	1.13
Year		
Revenue	3.42bn.	2.92bn.
Net Profits	195.21m.	143.79m.
Net Per Share	5.58	4.14

SO. CALIF. EDISON

Fourth Quarter	1977 $	1976 $
Revenue	536.4m.	458.4m.
Net profits	61.2m.	59m.
Net per share	0.90	0.97
Year		
Revenue	2.06bn.	1.83bn.
Net profits	256.8m.	221.7m.
Net per share	3.88	3.70

REYNOLDS METALS

Fourth Quarter	1977 $	1976 $
Net Profits	23.3m.	18.9m.
Net Per Share	1.20	1.05

BECTON DICKINSON

First Quarter	1978 $	1977 $
Revenue	153.2m.	137.5m.
Net Profits	11.8m.	10.5m.
Net Per Share	0.62	0.56

INLAND STEEL

Fourth Quarter	1977 $	1976 $
Revenue	677.8m.	584.2m.
Net Profits	15.72m.	22.4bn.
Net Per Share	0.74	1.08
Year		
Revenue	2.70bn.	2.40bn.
Net Profits	87.8m.	104.04m.
Net Per Share	4.23	5.20
Net Share dil.	4.16	5.06

REPUBLIC OF TEXAS CORP.

Fourth Quarter	1977 $	1976 $
Revenue	13.2m.	13m.
Net Profits	13.9m.	10m.
Net Per Share	1.19	0.86
Year		
Net Profits	45.6m.	40m.
Net Per Share	3.59	3.45

CLARK EQUIPMENT

Fourth Quarter	1977 $	1976 $
Revenue	325.2m.	309.7m.
Net Profits	15.3m.	29m.
Net Per Share	1.11	2.11
Year		
Revenue	1.3bn.	1.3bn.
Net Profits	60.3m.	68.1m.
Net Per Share	4.39	4.97

BUSINESS AND INVESTMENT OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

APPOINTMENTS

W. Newton-Clare on Pork Farms Board

Mr. W. H. "Bill" Newton-Clare, who stirred up a controversy last month with his shock resignation from the Board of FMC, the meat and bacon conglomerate, has found a new post on the Board of the Nottingram-based firm.

Mr. Newton-Clare, who is also president of the Bacon and Meat Maufacturers' Association, was with FMC for only 18 months. Before that he was with Scott Bowyer.

A colourful campaigner and one of Britain's best-known executives in meat processing, Mr. Newton-Clare was in Brussels yesterday pressing the Commissioner for Agriculture, Finn Gundelach, for EEC concessions which would ease the pressure on the U.K. meat industry.

He left FMC, which is largely owned by the National Farmers' Union, only a few days before publication of a dismal set of half-term results.

Pork Farms, which was showing a half year's turnover of almost £16m. at the end of August last year and a pre-tax profit of £1.365m., appears in much better shape. Its main business is in meat processing, and it has some retail outlets, but no interests in bacon curing, the sector which caused FMC so much trouble last year.

★

Mr. David Stephens has been appointed export sales director and associate company director of HESTAIR DENNIS from February 1.

★

Mr. David Axson has been appointed sales director of LSP-AMMERAAL and Mr. Nigel Bevan and Mr. Ron Dudson are field sales managers. Mr. Norman Davidson has become technical director.

★

Mr. Douglas P. C. Nation, manager and director of BLYTH EASTMAN DILLON AND CO. International Corporation, London, has been appointed a first vice president of the parent concern in New York.

★

Mr. Don Perry, chairman of UML and of the Unilever Merseyside Committee, has been appointed a member of the NORTH WEST INDUSTRIAL DEVELOPMENT BOARD.

★

Mr. Anthony D. Barry, managing director of the Roadstone-Wood Group, has been appointed a director of CEMENT-ROADSTONE HOLDINGS.

★

Mr. Neville Clifford-Jones is to become chairman and Mr. Clive Beck, deputy chairman, of SGB GROUP after the annual meeting on March 14 and both will be joint managing directors. Sir Edgar Beck is to retire as chairman on that date but will stand for re-election to the Board. Sir Edgar has been on the Board for 36 years, 20 of them as chairman.

Mr. N. Clifford-Jones

★

Mr. R. W. Hall has been appointed a director of CHRISTOPHER MORAN GROUP. In view of the progress made in the disposal of the industrial division, Mr. D. J. P. Bryans and Mr. D. M. J. O'Brien have resigned from their directorships in the group.

★

Professor Roland Smith has been appointed to the Board of LONDON TRUST COMPANY.

★

Mr. D. J. Atkin has been elected chairman of the COUNCIL OF IRONFOUNDRY ASSOCIATIONS in succession to Mr. J. H. D. Pearce. Mr. Atkin is director of the Stanton and Staveley Group of BSC. Mr. F. C. Baker, managing director of J. Hobkirk Sons and Co. has been made deputy chairman of the Council.

★

Miss Monique Legrand has been appointed deputy chairman and managing director of CWF (LONDON) and Mr. Michael McHaffie and Mr. David Baines have become directors of CARTER WILKES & FANE LIMITED.

★

Mr. E. H. Potter has been appointed managing director of HIGGS AND HILL BUILDING in succession to Mr. B. J. Hill, who remains chairman. Mr. A. P. Hill has become managing director (Middle East) of Higgs and Hill Overseas and Mr. N. J. Smallwood, managing director of Higgs and Hill Civil Engineering.

GOLD FIELDS GROUP

NEW WITWATERSRAND GOLD EXPLORATION COMPANY, LIMITED

(Incorporated in the Republic of South Africa)

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 1977

The unaudited consolidated results for the six months ended 31 December 1977 are as follows:—

	Six months ended 31 Dec. 1977 R'000	Six months ended 31 Dec. 1976 R'000	Year ended 30 June 1977 R'000
Income from investments	1,072	1,034	1,943
Profit on realisation of investments	19	185	313
Other income	28	168	178
	1,119	1,387	2,434
Expenditure	141	157	1,351
Administration and general expenses	138	135	242
Prospecting	3	19	20
Amount written off investments	—	3	1,089
Profit before taxation	978	1,230	1,083
Taxation	—	2	16
Profit after taxation	978	1,228	1,067
Minority shareholders' interest	22	89	82
Profit atributable to members	956	1,139	985
Earnings per share—cents	8.3	9.9	8.5
Dividend per share—cents	6.0	6.0	15.0
Times dividend covered	1.4	1.7	—
Net asset value per share—cents	271	239	209

NOTES ON THE RESULTS

Profit on Realisation of Investments
The profit on realisation of invesments for the six months ended 31 December, 1976 includes the proceeds of the sale of Star Diamonds (Proprietary) Limited

Other Income
Included in other income for the six months ended 31 December, 1976 was an amount of R105,000 arising from underwriting commission and other recoupments.

Investments
Listed investments are written down when the market value is below book value at the end of each financial year. Accordingly no provision for depreciation of investments amounting to R8,000 (R593,000) at 31 December, 1977 has been made in the accounts for the interim period.

Particulars of listed investments

	31 December 1977 R'000	31 December 1976 R'000
Stock Exchange value	28,342	23,505
Book value	13,255	13,252
Excess over book value	15,087	10,253

Dividend declared and paid
Dividend No. 53 of 9 cents per share absorbing R1,040,000 was declared and paid during the period. This dividend was declared out of profits for the year ended 30th June, 1977.

DECLARATION OF DIVIDEND
Dividend No. 54 of 6.0 cents per share has been declared in South African currency, payable to members registered at the close of business on 10th February, 1978.

Warrants will be posted on or about 15th March, 1978.
Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 10th February, 1978 in accordance with the above mentioned conditions.
The register of members will be closed from 11th to 17th February, 1978, inclusive.

Registered and Head Office:
Gold Fields Building,
75, Fox Street,
Johannesburg.
2001.

London Office:
49, Moorgate,
London, EC2R 6BQ.

23rd January, 1978.

On behalf of the Board
A. M. D. GNODDE, Chairman } Directors
A. J. WEIDEMAN }

United Kingdom Registrar:
Close Registrars Limited,
803, High Road,
Leyton,
London E10 7AA.

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FINANCIAL TIMES SURVEY

Tuesday, January 24 1978

Austria

The sluggishness of the world economy has brought Austria up against structural problems in its export industries which require action to correct growing current account deficits. The well-established consensus between capital and labour will be of the greatest help in achieving this.

Setting a new course

By W. L. Luetkens

AUSTRIAN way of doing has begun to lead the into severe and funda- economic problems after an entire generation unrivalled economic and industrial peace. stagnation is threatened ountry that averaged 5 nt. real growth annually n 1950 and 1970 and in spite of a 2 per cent. in 1975, GNP continued w annually by more than ent. on average until 1977. e fundamental factors ined that record. They relative industrial and- nic backwardness of the y before the war, the ction caused by that war created conditions favour- for industrial "take-off," e proximity of the German *haftswunder* which spilled nto Austria in the form of d for Austrian goods and of German tourists who ed the Austrian current nt.

ay not seem far-fetched, ore, to think of Austria as f the German system in all me. Despite evident differ- both countries share a age, a culture, and the y of two lost wars. Both rejected confrontation as ans of conducting indus- relations. Both have for years been run by social cratic Governments — but runo Kreisky, the Austrian cellor, is less of an eco- liberal and more of a list than his German erpart, Herr Helmut idt.

t that purity of political or other principle is the main cteristic of Austrian life. rians have learned to hold a fine balance between the permissible and the not actually forbidden. Moonlighting is an accepted way of life. In some big towns, for instance, the dustman's job is highly prized because it leaves the afternoon free for other and more lucrative pursuits, and it does carry a pension. It would be fascinating to know how much semi-official activities contribute to the Austrian GNP.

Terrorism, German-style, has occasionally spilled over into Austria, but does not seem to be an indigenous phenomenon. Above all, the Austrians have no problem of identity. In spite of the close existing bonds with Germany, they have an unmistakeable quality of Austrianness. It differs greatly from the popular stereotype: Austrianness is not really a matter of Johann Strauss, downhill ski-ing, and fattening delights. The main ingredient is an ability to make the best of the world as it is—if necessary by hard work.

Difference

It is a matter for philosophers to decide whether that ability explains a very fundamental difference between Austrian and German economic policy. The German Government has accepted fairly high unemployment as a reasonable price for containing inflation: Dr. Kreisky's Government has not. In Vienna it is nothing unusual to encounter exasperation with the failure of the Germans to get out of the economic doldrums.

The Austrian endeavour to do so by Keynsian means in an unhelpful world environment has clearly overtaxed what is one of Europe's smallest economies. The bill has been presented in the form of a budget deficit that by universal agreement must be reduced, and an external payments deficit that cannot be maintained for very long.

For 1977 and 1978 together it is likely to amount to Sch.37bn. (about £1.3bn.) which may be compared with officially shown reserves of Sch.29bn. That figure is somewhat misleading since the net short-term external liabilities of the banking system, amounting to Sch.35bn., have been deducted from the centrally held Sch.65bn. The latter moreover include Sch.17bn. worth of gold valued at $41 an ounce or something like a quarter of the current price.

There is therefore room for manoeuvre to tackle what are, as now generally agreed in Vienna, structural problems. The marching order, in summary form, is as follows:-

In a first phase inaugurated in 1977 fiscal and credit policy switched to a restrictive course designed to reduce consumption, especially of imported durables such as cars, and get the budget deficit under control. Phase 2, which has only just begun, will involve making the traditional voluntary incomes policy more restrictive. Phase 3, which is still in the discussion stage, will involve investment incentives designed to improve the structure of Austrian industry.

The main elements of Phase 1 have been a credit squeeze, including restriction of the amounts by which banks may increase their credit volume to 1.1 per cent. monthly overall and to half of that in the case of consumer credit, plus a tax package that will increase the tax quota (including social security levies) from 39 per cent. to 41 per cent. of GNP. Phase 2 was inaugurated by a wage settlement of 5.8 per cent. in the white collar sector which does demonstrate union moderation without, however, remaining within the range of any possible increase of productivity.

Phase 3 is the one that really matters. Industry — which in Austria very largely means small and family enterprises — hopes for a reduction of the tax burden to end a progressive squeeze on profits and, more particularly, to encourage research and development. But it is afraid that the Socialist Government of Dr. Bruno Kreisky will use the opportunity to direct investment where it thinks suitable — and maybe also into the State-owned enterprises, some of which are structurally weak.

These fears attach to the proposal, still to be finalised, to raise an investment fund of Sch.10bn., to be spent within three years in the private sector. They are undoubtedly supported by the evidence of the increased tax quota, which inevitably means a shifting of emphasis to more public influence in what may be one of the most complete examples in existence of a mixed economy.

In these arguments there is implicit a more fundamental debate about full employment, which has been the top priority of Austrian economic policy throughout recent years with the full support, incidentally, of the employers. Now there is an increasing feeling that that priority may require modification.

At this point it is important to recall the dictum of a (very) Austrian politician of Hapsburg times, long ago, that "everything is relative." It ought really to be the motto of this article since the avoidance of extremes has been the chief characteristic of Austrian politics and attitudes ever since the war. (Some of the historic reasons are considered elsewhere in this survey, in an article dealing with the phenomenon of social partnership between labour and management.)

To get the argument about full employment into perspective it suffices to know that even in 1975, the recession year, the unemployment ratio only averaged 2 per cent. and that the increase that some people now believe to be desirable would take it to, say, 3 per cent. (compared with almost 5 per cent. in West Germany during 1977).

The trade unions are likely to accept that risk tacitly. They are showing signs of recognising that restructuring demands a readiness to sacrifice individual jobs in the interests of a long-term preservation of a high overall level of employment. Without that recognition Austria will not be able to restructure its industries in order to increase the Austrian-added value in its exports and to lessen the share in its exports of goods such as textiles that meet competition from low-cost producers elsewhere.

Failure in the long term to override the effects of world economic problems by autonomous means has quite clearly added heat to the debate in Austria between the Kreisky Government and the Austrian People's Party of Dr. Josef Taus. But all the evidence is that both sides attach continued importance to the survival of the social consensus which has for so long characterised Austrian life.

There are those in both parties who hanker after a revival of their Grand Coalition which ruled for almost 20 years after the war. Dr. Kreisky is not one of them. But he, too, pays tribute to the popular desire for consensus; he likes to point out that many non-Socialists serve his Government in the very highest of administrative positions. The latest case is that of a distinguished economist, Dr. Stefan Koren, hitherto parliamentary leader of the opposition who is becoming president of the central bank.

That sort of recruitment across party lines matches a quasi-regal bearing on the part of Dr. Kreisky which goes down well with the electorate. There are no recent published polls, but those that the parties have taken privately appear to show only a marginal erosion of the support that in 1975 allowed Dr. Kreisky's Socialists to retain their absolute parliamentary majority. That is no inconsiderable feat, given the economic situation—and given a few political mishaps, to put it mildly.

For instance, Dr. Kreisky has had to accept the resignation of his Minister of Defence, a non-party man, because certain arms exports had taken place in contravention of Austrian neutrality. There also have been differences with the National Bank which had made too obvious its intention of maintaining a stable exchange rate with the D-mark.

Since the bank took its stand in the interests of stability, and since "stability" is a popular catchword, one might have expected Dr. Kreisky's popularity to suffer. In fact it seems not to have done. Moreover, events seem to have proved him right.

But the problems confronting the country in a new world of reduced growth have barely been tackled. It is far too early to say whose reputation will rise and whose will fall as the pattern unfolds. As the difficulties come to be more generally realised Austrians will probably rally around the cause of national consensus. Dr. Kreisky could personify that consensus, but need not necessarily do so.

BASIC STATISTICS

Area:	32,374 sq. miles
Population:	7.5m. (1976)
GNP:	Sch.801bn. (1977 est.)
Per capita:	Sch.106,800
Trade (Jan./Nov. 1977):	
Imports:	Sch.213.5bn.
Exports:	Sch.147.1bn.
Imports from U.K. (1976)	£212m.
Exports to U.K. (1976)	£232m.
Currency: Schilling	£=Sch.29.35.

The economic tasks

AUSTRIA successfully spent its way out of trouble during the 1975 recession and is now paying the bill in the form of high balance of payments and budgetary deficits. These in turn will make it immensely more difficult to apply the Keynesian expansionary trick again this year—especially since it has become increasingly clear that the problem is not the familiar cyclical one but involves deep-seated structural difficulties.

The fact that the latter are only in part peculiar to Austria aggravates the worries of those responsible for the Austrian economy and for the country's business. They know very well that in the world as it is countries of the size of Austria are largely dependent upon the weightier economies, in the case of Austria pre-eminently the West German.

To say that is not to belittle the very real achievements of the Keynesian methods applied in 1975. Unemployment has been kept consistently low; even during 1977 when fiscal and credit policy had reverted to a restrictive attitude, the unemployment ratio did not exceed 2 per cent. (annual average).

On the other hand it is true also that the number of migrant workers has been reduced from a peak of 260,000 (not counting those in Austria illegally) to 180,000, and that many more will be leaving. It is true also that there is a certain amount of disguised unemployment.

Not only the large State-owned concerns have been willing to carry labour through periods of underemployment of capacity. The heavy preponderance of small and family enterprises even in quite sophisticated industries militates in the same direction.

PERFORMANCE AND PROSPECTS

(Increase or decrease per cent.)

	1976	*1977	*1978
Private consumption (real)	4.0	6.5	2.0
Gross investment (real)	5.7	6.5	1.5
Thereof:			
Plant and equipment	10.9	8.0	0.0
Buildings	2.0	5.0	3.0
GNP (real)	5.2	4.0	1.5
Consumer prices	7.3	5.8	5.0
Merchandise exports (nominal)	16.3	8.5	6.0
Merchandise imports (nominal)	26.1	14.5	2.0
Current account† (Sch.bn.)	−16.3	−34.1	−30.3
External payments (Sch.bn.)	−18.3	−22.1	−15.3

* Estimates. † Including balancing item. Source: Girozentrale

That is an asset which has a mirror image on the debit side. Compared with West Germany, Austrian industry has traditionally lagged in its productivity. It mattered little when, year after year, the Germans were working close to capacity or at full stretch. The Austrians, being marginal producers with largely German technology, came into play in export markets, not least as suppliers of components to West Germany. Now that the Germans no longer seem to be capable of getting their economy up to full speed, Austria is feeling the pinch.

The very success of the Austrians in keeping their own industry moving during the last West European recession has now to be paid for. The rapid rise of incomes in 1975, coupled with a policy of allowing the Austrian schilling to float upwards with the D-mark burdened Austrian exporters with heavy cost increases. At least as significantly, the combined effects of high incomes and a strong schilling sucked in imports. As a result the direct trade deficit which is habitual in Austria climbed from Sch.18.4bn. in 1970 to Sch.30.6bn. in 1975 and to somewhere around Sch.70bn. in 1977.

At the same time the combination of high costs and of a slow economy in Germany have ended the balancing role habitually played by the tourist account. Tourist income (about 80 per cent. of which is usually derived from the Germans) has peaked, at any rate during the summer, whereas Austrians themselves have increasingly been discovering the delights of the South, not to mention shopping in Oxford Street.

The impact on the current account has been drastic. During 1976 it was in deficit by Sch.27.6bn., in the first three-quarters of 1977 by Sch.28.5bn. The balancing item (which covers statistical errors and omissions, and which is inevitably large in a tourist country with few exchange controls) should probably be considered akin to the current account. If one does allot it to that account, one arrives at a deficit of Sch.16.3bn. in 1976, and estimates of Sch.34.1bn. and Sch.30.3bn. for 1977 and 1978 respectively.

Just as external payments went into deficit, so did the federal budget. The funded debt rose from Sch.47.1bn. at the end of 1970 to Sch.166.9bn. at end-1977, and is expected to reach Sch.192.1bn. at the end of 1978. Much of the borrowing has been done abroad.

At the end of 1977 the Austrian Government owed Sch.45bn. to foreign lenders, and that does not include the obligations of utility companies and others. That foreign borrowing, in turn, could not but have an adverse impact on payments. Servicing the federal debt is expected to cost about Sch.30bn. in 1978.

It might make more sense to try to balance payments by attracting direct investment from abroad, but the scope is limited. Austrian labour costs are high especially since fringe benefits add something like 80 per cent. to basic wages.

There may be some openings in the service industries. Vienna has become a centre of some importance to trade and financial relations with Eastern Europe. It has the necessary supply of white collar people, and the required historical traditions.

The danger that the budget and external deficits could get out of hand has been dawning upon the Austrian Government for some time, but Dr. Hannes Androsch, the Minister of Finance and Vice-Chancellor, really did step on the brake during the autumn of 1977. Measures were introduced which were intended to kill two birds with one stone—to help the budget and to reduce imports. The main innovation was the introduction of an enhanced rate of VAT, described generally as a "sumptuary tax," on cars and a number of other items such as high fidelity equipment, which are almost exclusively imported.

Leaving aside the special case of energy imports, it was the car boom that had contributed most to the surge of imports; vehicles account for almost a third of the visible external deficit. The effectiveness of the sumptuary tax in reducing that deficit remains to be assessed. Undoubtedly there will be a heavy falling off of car imports this year—but it will largely be the result of a 66 per cent. surge late last year during the three months that it took to pass the VAT legislation through its various stages.

Aspects

On the external side, the package has obvious aspects of a sort of *Ersatz* devaluation. The Austrian authorities were extremely hesitant to break the close link between the schilling and the D-mark because it moderated the domestic price of imports. They had the support of the trade unions, though industrialists have for long complained that the schilling is too high. In the last few months official policy has changed: the schilling has been allowed to drift downwards vis-a-vis the D-mark, and that trend might easily continue for a while.

The fact, however, is that Austria, even more than some other countries, cannot hope to gain permanently from a devaluation, unless it is supported on the incomes side, and by structural reforms. It has been estimated that at least 20 per cent. of Austrian exports consists of materials that had to be imported before being processed. In the textile industry that quota is over 40 per cent., in the case of machinery more than a quarter.

Prospects for an incomes policy are discussed in detail elsewhere in this survey, but there are signs that the trade union federation has given priority to jobs and will live up to its reputation as an element of stability in the Austrian economy. That is not to say that a wage freeze is politically possible or indeed desired: nominal wages this year will probably rise by between 5 per cent. and 7 per cent.

It is difficult to be equally sanguine about the structural reforms required to put the external account right. There are reserves in the tourist industry. New winter resorts can be developed and the direct and psychological effects of the payments problem could reduce Austrian tourist spending abroad.

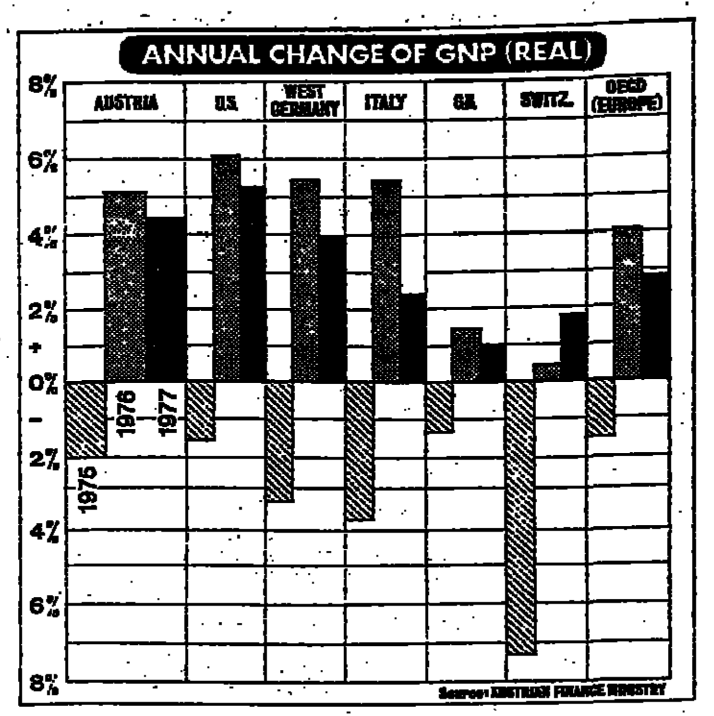
But that alone will not be enough. It is unlikely that the steel industry, with its heavy dependence upon export markets, has much of a future, at least in any foreseeable situation; the textile industry is up against heavy competition from poorer countries associated with the EEC, not to mention the developing world; the pulp and paper industry, despite obvious freight advantages within continental Europe, is in a world-wide slump (and has not been granted full freedom of access to the EEC).

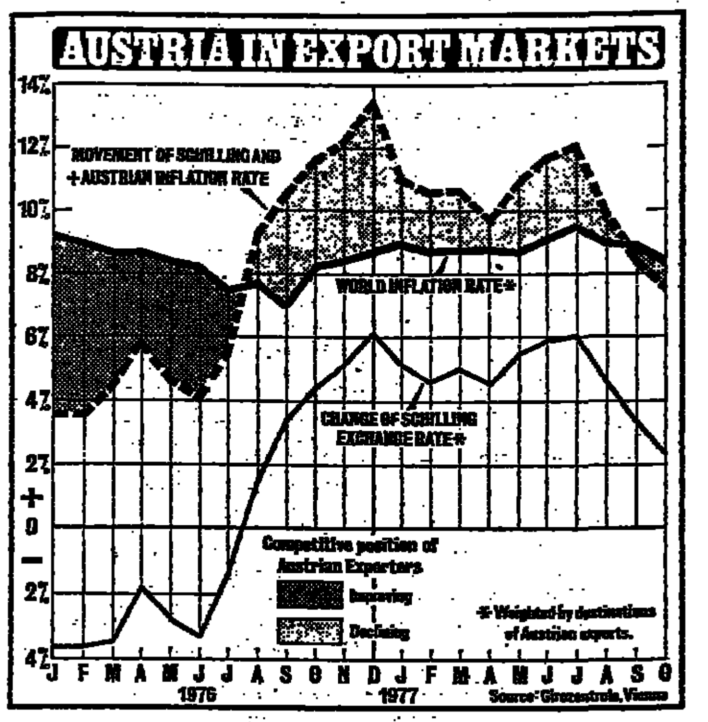
Even the mechanical engineers, though their goods are sophisticated and their adaptability great, will be up against it as long as their German customers and clients are working below capacity.

Putting things to rights will take a long time, and there is no general agreement in Austria on how to tackle the task. The Socialist Government of Dr. Bruno Kreisky has put forward plans for an investment fund to disburse Sch.10bn. in subsidised loans to industry—including State-owned industry. The conservative Austrian People's Party and private industry are sceptical and would rather see measures designed to allow more investment capital to be raised from the private sector. Industry argues, and not without reason, that the increase of the taxation quota (taxes plus social security levies as a proportion of GNP) to 41 per cent. as a result of Dr. Androsch's package has not been helpful.

Moreover, it is afraid that the investment fund will be used to broaden Government influence over the economy. Until the proposals have crystallised, it will be hard to judge. In the meantime it is as well to realise that Austrian export industry is a good deal healthier than some of the complaints from both sides might make one suspect. An eight per cent. increase in exports from Jan.-Sept. 1976 to Jan.-Sept. 1977—and a 22 per cent. increase of exports to West Germany—do not look like signposts on the road to disaster.

W. L. Luetkens





Test for social partnership

SCRATCH AN Austrian socialist and you will find a bit of a conservative; scratch a member of the conservative Austrian People's Party, and you will find a bit of a socialist. A cynical outsider would not be hard pressed for an explanation: the typical Austrian of our times, he will say, is a petty bourgeois irrespective of his position in life. On the surface of things that may not be entirely untrue, but our cynic ought to consider that the chief Austrian Socialist, Dr. Bruno Kreisky himself, the Chancellor who won an absolute majority for his party in the elections of 1975, looks much more like a survivor of the *grande bourgeoisie* of a bygone era of Viennese grandeur. Critics and admirers alike tend to laugh about him as "Kaiser Bruno."

It is none the less true true that, because the world economy has changed during his Chancellorship, new strains have arisen in that system of "social partnership" which goes far towards explaining Austrian economic successes. Social partnership at bottom means that Government and opposition, labour and management, farmers and consumers are unwilling to carry their confrontations beyond a certain point. Though there are institutions reflecting that partnership, it is not they that matter ultimately. Many studies have been made of the mixed commission in which the representatives of the different economic interests and of the Government try to arrive at reasonable criteria for wages and prices. But the commission has almost no mandatory powers, and everyone in Vienna knows that when the crunch comes the task of finding a workable compromise invariably devolves upon two men: Herr Rudolf Sallinger, head of the Chamber of Business to which all Austrian businesses are affiliated; and Mr. Anton Benya, head of the trade union federation.

The cynic who sees all Austria as a petty bourgeois preserve will not be slow to denounce that system as a giant cartel, embracing the entire country. He would not be entirely wrong—except that cartels tend to work against the interests of outsiders: where there are no outsiders, the case against the cartel collapses.

Shrewd

The present protagonists, Herr Sallinger and Herr Benya, both shrewd and tough negotiators, are men whose attitudes are very much determined by the memories of those days. But both are over 60 and even in a country that traditionally respects age, the day must come when others will take over. Will these others be more inclined to seek confrontation? The temptation is to suppose that they will, not least because the economic difficulties of the 1970s are making it increasingly awkward to maintain Austria's record of growth and increasing affluence for all.

Our cynic would therefore conclude that social partnership is on its last legs, and he would be wrong. There are very weighty reasons for concluding that the will of the Austrian people to continue their peculiar and inimitable cartel remains unbroken. For a start, Austria is a small country where it is possible for everyone who matters to know everyone else who does.

It is also a country that has been spared the phenomenon of urban decay because it has not received new waves of alien immigrants since the first world war. One potential cause of political and social polarisation is thereby eliminated. (True, there still are some 180,000 migrant workers from South Eastern Europe, many of whom live in hostels and hutments. But their numbers are not such as to let them take over entire city quarters, and their position has always been clearly that of transients.)

As for the Austrians themselves, their very identification with middle-class values and attitudes gives social partnership a strong foundation. It receives added strength from the traditional institutions of the vested interests. Employers are constrained to become members of the Chamber of Business organisation. There is a similar system of Chambers of Labour, but the real representative of workers' interests is Herr Benya's Austrian Trade Union Federation, the OeGB. It differs in a very fundamental respect from trade union federations in most other democratic countries in that it is the real centre of power in the labour movement; the individual unions are not.

Moreover, the OeGB makes very sure that the shop floor

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Cautious approach to bank reform

...K SERVICES become more ...ified as you move east- ...across Europe. In Britain ...rs, merchant banks and ...rokers are neatly ...ited; in Germany and ...a they are not, and the ... are industrial holding ...nies to boot. Once you ...ithin sniffing distance of ... Balkans, you will find ...rokers operating from the ... office as the bank.

...t used to be the pattern, ...ery largely still is, even ...h there is a certain inter- ...al trend towards greater ...ification within credit in- ...ons (at least through the ...ition of affiliate com- ...s). That trend has not ...l by the so-called ...ersal banks" in Austria. ...ng banks (typical of the ...an-speaking world) which ...e in most or all financing ...tions.

...ing a long-term view, ... has happened is that the ...f affluence has worn away ...storic distinctions between ...commercial banks, origin- ... founded to serve big ...ess and the rich, and a ...er of groups of savings ...o-operative banks founded ...e 19th century to cater ...mall businesses, the little ... or the peasantry.

...is a process that has been ...oping from both ends. As ...savings bank organisation ...articular grew and ex- ...ed, penetrating into indus- ... and foreign finance, it ...d to be a lender of funds ...e commercial banks. They ...rn discovered the small ... and began attracting his ...m by promoting personal ...ts which, a generation ... would have been well ...ath their dignity.

...e historic trend is now ...r to receive both sanction ...a new impulse from legisla- ... to reform the rules under ...h both the co-operative and the commercial banking sector operate. So far it exists only in draft form, but the Government will set it on its way through Parliament during 1978.

The chief innovation for the commercial banks is that they will be free to found branches without, as in the past, having to satisfy the Minister of Finance that there really is a local need for it. At the same time credit institutions will be released from the current practice under which interest rates payable to depositors are fixed from above.

Legislation

The general drift of the new legislation is thus towards more competition—but only very cautiously so. The Minister of Finance will still retain the right to veto new branches if there is a danger of deleterious consequences from the "over-banking" of any locality. Moreover, interest payable on deposits of less than Sch.1m. (about £35,000) may still be fixed by regulation should it be in the interests of the economy.

It is in any case most improbable that the new freedom to found branches will cause the commercial banks to set up shop in every village. The co-operative and savings institutions are too well entrenched to make that appear wise and the economic climate moreover is none too auspicious. Instead, the two big commercial banks, Creditanstalt-Bankverein and Oesterreichische Laenderbank, have increased their geographic penetration by another means. Both have for long controlled finance houses specialising in consumer credit by hire purchase and have now been granted licences to provide full banking services from the offices of these affiliate companies.

Much the same pattern can be detected in the savings bank (*Sparkassen*) sector — biggest among the co-operative and other non-commercial groups. The biggest savings bank, the Zentralsparkasse of Vienna, known as "Z," has also acquired a finance house and been granted the right to provide full banking services through it. The other Vienna savings bank, Erste Oesterreichische Spar-Casse, has also moved in the same direction by acquiring a private bank.

Traditionally savings banks operate under two geographic restrictions: with the exception of Vienna, each locality has one savings bank only — and that bank is restricted to its home locality. The principle has been eroded by the new ventures of the "Z" and of Erste Oesterreichische. Now it is to be fundamentally modified by a reform of the law proposed by the Government.

Savings banks are to be free to set up branches wherever they like, except in localities with fewer than 20,000 inhabitants. Here, too, the drift is towards more competition—though tradition and prevailing economic conditions are unlikely to encourage a free-for-all.

MARKET SHARES

	Total assets* (Sch.bn.)	% of total	% increase since 1974
Commercial banks	334	31	+58
Private banks	22	2	+53
Savings banks	265	25	+54
Rural co-operatives (Raiffeisen)	196	18	+62
Credit unions (Volksbanken)	65	6	+49
All groups	1,081	—	+56

* End September, 1977. Source: National Bank.

It is very possible that the main effects will occur within the savings bank sector. Internationally the Austrian savings banks have played a certain role through their substitute for a central bank, the Girozentrale (GZ) of Vienna, which has held their reserves, channelled their surplus funds into Austrian and international financial markets, and stood by as lender of last resort if any member should face trouble. The bigger savings banks have at times chafed under their association with the GZ, because it meant being in the same club as many smaller savings banks which have preserved their pristine character as bankers to the small client.

The proposed legal reforms will make it possible for the big savings banks to break that link: they will be allowed to transfer their mandatory liquidity reserves from the GZ to the central bank. That would put them on a par with the commercial banks and be another giant step towards turning them into commercial banks in all but name.

One fundamental difference would of course remain. The savings banks are non-profit making (or rather non-profit distributing) bodies, either owned by local authorities or set up as mutual banks. The commercial banks are joint stock companies that do pay dividends.

However, Austria being Austria it would be a mistake to think of the commercial banking sector as the playground of unfettered private enterprise: the Big Two are both under majority ownership of the Austrian Government, though they are expected to comport themselves according to normal commercial rules of conduct.

Given the gradual assimilation of the various banking groups into each other it is only logical that the tax privileges so far enjoyed by the co-operative and savings bank sector should be reduced. Recent tax changes introduced to help plug the budget deficits will among other things entail savings banks paying corporation tax at 90 per cent. rather than 60 per cent. of the full rate. Credit unions will pay taxes in full instead of at half rate.

All sectors will suffer from certain other changes, in particular a severe reduction of the privilege to form untaxed reserves against pension fund liabilities. These are changes that will for the first time bite in 1978, coming on top of cyclical problems which will make it more difficult to earn profits. The chief of these is the pressure on liquidity arising from the adverse balance of payments.

The effect will be complemented by a quantitative restriction on credit expansion; since January 1 each financial institution has been limited to an increase by 1.1 per cent. of its overall credit volume, and of half of that in the case of consumer credits. Those who exceed the limit will have their rediscounting facilities cut — a threat that will prove effective at a time when the external payments deficit is sucking out liquidity.

On the deposit side, growth rates were reduced in 1977 as private savers drew out maturing contractual savings to spend on consumer goods. That process may now be reversed with the end of a spending spree before an increase of VAT on a range of durables and on motor cars on January 1. In the longer run, however, a reform of the system of contractual savings, making them less attractive to reduce Government spending, will militate in the opposite direction.

The end of the spending spree will equally reduce demand for consumer credit.

The battle for the small man's custom has encouraged consumption of imported durables, and the above average growth of the rural co-operatives, reflecting rural prosperity, has helped to channel a great deal of money into a building boom, and the provision of tourist beds in private quarters that may already be in excess of demand.

It is, however, incontrovertible that these are trends that have contributed greatly to the appearance of prosperity presented by nearly all Austrian villages and small towns. As often as not the Raiffeisenbank, the bank of the rural co-operative, is the most impressive new building in sight.

From the point of view of the economy overall it may therefore be helpful that the Raiffeisen organisation, following in the footsteps of the savings banks, is looking for other outlets, not least in Euromarkets and in the financing of foreign trade. As each sector approaches the pattern of the "universal" bank it will no longer be possible to single out any of them as bad boys—or good.

W.L.L.

...artnership

...NTINUED FROM PREVIOUS PAGE

...ps in step: union officials are ...en training not only in ...tters of organisation, but ... in some of the facts of ...nomic life. That, together ... a deep-rooted conviction ... jobs are more important ... wage increases, has kept ... Austrian labour movement ...he side of moderation.

...course, that sort of record ... easy to achieve during the ...s of high growth and of ...existent unemployment. ...t will things look like now ... GNP is expected to grow ... most 1.5 per cent. in 1978 ... when unemployment may ... the long unknown level ... per cent.? The OeGB has ... to show its hand: the first ...ment of the current wage ...l was for 5.8 per cent.— ... above any conceivable in- ... of productivity, but also ... more than the probable ...of inflation. Herr Benya ...made it clear that he was ...repared to seek confronta- ...n the interests of gaining ... tenths of a percentage ... more.

... settlement may do little ...tore Austrian competitive- ...which has suffered greatly ...cent years for reasons ...sed elsewhere in this ... But the circumstances ...how that for Herr Benya ...is organisation jobs and ...eservation of the partner- ... system are the top priorities. There is good reason to suppose that the priorities on the other side of the negotiating table are not very different. Austrians are going to be reluctant to jettison something that has served them well. Besides, a very large number of them have a direct interest in the network of the various chambers and of the national cartel in which they are joined.

One certainly does get the impression that Austria has more than its fair share of people in administrative jobs of one kind or another. Some of the more thoughtful leaders are worried that there may be a return to the so-called academic unemployment of the 1920s and 1930s, which proved a breeding ground of political extremism. The number of university students has doubled during this decade and one must ask whether all will get the sort of jobs they hope for.

To sum up: social partnership was born of poverty after the war when there was no practical alternative. It served the country remarkably well during the years of growth up to the oil crisis and beyond. But although it is well established in national attitudes, it must yet demonstrate its worth in an era combining affluence with slow growth and even the danger of economic contraction.

W.L.L.

Tourism starts to level off

TOURISM, ONE of the key factors behind Austria's postwar economic miracle, is no longer a growth industry and long-term projections indicate that Austria's share of the tourist traffic in Western and Southern Europe (including Yugoslavia but excluding the Soviet bloc) will fall from 13.3 per cent. to 11.5 per cent. The shifts within the European OECD area will affect the relative market shares of France, Italy and Switzerland even more adversely. In contrast, the combined market share of Spain, Yugoslavia and Greece, which had already trebled between 1959 and 1973, will rise by 1985 from 30 per cent. to over 41 per cent.

According to latest estimates overnight stays by foreign holidaymakers will rise at an annual rate of 4½ per cent. in the OECD area but only by 3½ per cent. in Austria. Nevertheless this small land-locked country will maintain its fourth position in the European tourist league behind Spain, Britain and France.

At the same time, however, for Austria tourism is even more important than these comparative figures would indicate. In terms of per capita foreign exchange income, for example, Austria is reckoned to occupy first place. Tourism contributes about 8 per cent. of GNP as against an average of 1.5 per cent. for OECD as a whole.

Thus it is no wonder that the performance of the tourist industry is a major theme both in the mass media and the debates on how to cope with Austria's growing balance of payments difficulties. In view of the country's structural and chronic trade deficit, the foreign exchange inflow from tourism has traditionally been the saviour of the payments account.

Between 1961 and 1973, for example, the surplus in tourist traffic—that is, the net difference between foreign exchange receipts and spending by Austrian tourists abroad—was rising at an annual rate of 15.3 per cent. while the merchandise deficit during the same period grew by 14.1 per cent. per annum. Between 1973 and 1976, however, there was stagnation in the growth of net receipts from tourism while the visible trade deficit continued to rise at an annual rate of 14.3 per cent.

The gap widened to an unprecedented degree last year. In the first 10 months of 1977 the trade deficit jumped by 33 per cent. to Sch.56.6bn. while net receipts from tourism actually fell by Sch.800m. to Sch.23bn. compared to the corresponding period of 1976.

Overnight stays by foreign tourists fell by 1.2 per cent. to 73.6m. during January-October but paradoxically gross receipts were up by almost 9 per cent. During the same period, however, spending by Austrians abroad jumped by 23 per cent. to Sch.26bn.

Distorted

But both figures are distorted. Expenditures include, for example, cash taken out by foreign workers, which in January-September alone is estimated to have passed the Sch.2bn. mark. On the other hand, as regards the intake, Austrian holidaymakers usually bring back a certain part of their unused currency in travellers cheques or foreign bank notes, and if these are reconverted into schillings, the amount appears under the heading of foreign exchange receipts.

Regardless of these adjustments, every survey confirms the basic fact, namely that the intake from foreign tourists covers a steadily shrinking share of the visible trade deficit. Between 1961 and 1973 tourism on the average offset about 80 per cent. of the trade gap.

Last year, however, the intake in January-September covered only 45 per cent. of the visible trade deficit as against 61 per cent. in the corresponding period in 1976. Even if one allows for the influence of purchases by Austrians abroad—the so-called "direct imports," which more than doubled between 1973-76 to Sch.15bn.—the trend towards stagnation can no longer be disputed.

There are of course not only international trends, but also domestic factors which exert an adverse influence on this key industry. Austria is in danger of pricing itself out of the intensely competitive market of international tourism. During the period 1972-76 the Austrian price level for tourists rose by 24 per cent. more than in the countries which rank as main competitors. No wonder that during the important summer season last year (May-October) overnight stays by foreign tourists were down by 3.9 per cent. on the corresponding period of 1976.

Prices in hotels and inns last year rose by 6.7 per cent. During the winter season 1977-78 a further rise of 6.7 per cent. was announced and the summer season this year will bring yet another increase averaging 3.3 per cent. in the 1,850 establishments recorded in the "Hotel Book."

"Can one still afford Austria?" This was the headline of a whole-page survey about the Austrian tourist industry published in a Vienna daily last autumn. As recently as 1971, for example, a West German tourist reckoned that he would spend 24 per cent. less on a holiday in Austria than at home. Because of the combined effects of a higher Austrian inflation rate and the appreciation of the Austrian schilling, this price advantage has been wiped out. The Germans, who last August-September accounted for 77 per cent. of foreign tourists, are frequently shocked at the prices they have to pay for a cup of coffee or a glass of beer in the Tyrol or Corinthia.

Spokesmen of the Austrian tourist and catering industry point out that the exorbitant prices are primarily the result of excessive taxes and levies imposed by the Government. Thus Mr. Otto Schreiner, chairman of the Association of Hotels and Guest Houses, told the Press that taxes and levies account for 32.6 per cent. of the price of beer as against 13.1 per cent. in Germany, 12.5 per cent. in Italy and 4.6 per cent. in Switzerland. With regard to wine, the Austrian figure is 28 per cent. compared with 9.9 per cent. in Germany, 8.3 per cent. in Italy and 2.2 per cent. in Switzerland. Rising labour costs and restrictions with regard to the employment of foreign workers also adversely affect the competitive position of the industry.

However, those authorities in charge of tourism admit that another major factor posing a long-term threat to the industry is the surplus capacity in private accommodation, which altogether accounts for over 40 per cent. of the total capacity of 1.1m. beds. During the summer season, for example, the commercial sector—that is, hotels, inns and boarding houses — suffered only minor setbacks but overnight stays in private rooms dropped by 6.6 per cent. As Mr. Schreiner puts it: "We have got to live with the 'Vacancies' sign. We can not prevent private initiative from creating additional capacity even if it is economically wrong."

Measures

But the existing system of investment promotion measures and tax concessions clearly needs to be thoroughly revamped. Tourist enterprises should reach 50 to 60 per cent. utilisation of capacity if they are to remain viable, yet the present figure stands at only 24 per cent.

The tourist industry has somehow to solve the following basic problem—how to attract German tourists as before ("mass tourism") and at the same time to accelerate the shift to "quality tourism." The winter season is becoming increasingly important and its share both in terms of overnight stays and foreign exchange receipts has increased during the past few years.

As tourism is subject to supervision by the *Laender* (provinces) co-ordination of federal and provincial promotion measures leaves much to be desired. Marketing and publicity campaigns abroad and investment promotion measures should be better adjusted to achieve maximum impact. It is also important to remember that the average German tourist spends much less than other foreign tourist, namely only Sch.459 daily as against Sch.803 by the Americans, Sch.675 by the British and Sch.619 by the Scandinavians.

Improvement in quality, weeding-out of surplus capacities and widening of the range of services offered, particularly in poor weather conditions, combined with retentions of the family and individual character of accommodation, are needed if Austria is to remain competitive in international tourism. It is now generally realised that the period of record-breaking growth rates is gone. The growing awareness of the need to adjust to a new and more difficult situation may, however, be the basis for the long overdue transition from complaints and search for scapegoats to co-ordinated action by Government, the tourist industry and the family businesses.

Paul Lendvai
Vienna Correspondent

Desire to compete in East Europe trade

EARLY THIS year Chancellor Bruno Kreisky will pay two important visits abroad in quick succession. In the first week of February he goes to Moscow and a few weeks later to East Berlin. Both visits are primarily motivated by economic considerations. As Austria has neither major political problems nor common borders with either of the two States, Dr. Kreisky will act in the first place, as indeed so many of his Western colleagues do on similar missions to the Communist East, as a travelling salesman for Austrian industry.

For all the talk about good relations with neutral Austria, which has been a pace-maker in moving towards industrial-technical co-operation based on joint ventures, Austria's once flourishing trade with Eastern Europe is in the doldrums. More precisely, Austrian exports to the Soviet bloc have been stagnating since the second half of 1975. More important still, the surplus in Austria's favour has been shrinking rapidly and a recent unpublished study, compiled by two experts of the Institute for Economic Research, estimates that by 1980 Austria's trade will be in the red to the tune of Sch3bn. as against a surplus of Sch.3.5bn. in 1976 and an estimated surplus of Sch.2.5bn. last year.

The setback has come after four years of continuous expansion which lifted Eastern Europe's share of Austria's exports from 11.8 per cent. to 17.1 per cent. in 1975. During the same period imports from the same area rose from 8.5 per cent. to 10.2 per cent. of the total.

Average

These regional shifts at a time when Austria's foreign trade expanded by 76 per cent. represented a rate of growth in eastern bloc trade which was well above the average. But in 1976 sales to that area were only up by 3.2 per cent. as against an overall expansion of exports of 16 per cent. During the first nine months of 1977 the rate of growth in exports to the Eastern bloc was 4.5 per cent., or just over half of the rate recorded in aggregate exports.

In terms of proportional shares, Eastern Europe during January-September last year accounted for 14.3 per cent. of Austrian exports and for 9.1 per cent. of Austrian imports. It must be added that for political reasons "Eastern Europe" in Austrian trade statistics comprises Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Mongolia, Poland, Romania and the Soviet Union, but not neighbouring Yugoslavia which is not a member of Comecon. If one adds the Yugoslav stake of 3.4 per cent., Eastern Europe's share reaches 17.7 per cent. of Austrian exports.

A recent meeting of the Austrian trade delegates in Eastern Europe came to the conclusion that though the market situation varies from country to country, Austrian exports are hampered by the combined effects of import restrictions and the intensified competition by Western exporters. It is becoming increasingly difficult to keep up with the credit terms offered by most other Western competitors and the East European insistence on compensation deals also represents an obstacle.

Though there were reductions of 4.5 per cent. in exports to Poland and of 14.3 per cent. to Bulgaria, the major problem country is clearly the Soviet Union. In 1976 Austria had a trade deficit of Sch 3.3bn. and in the first nine months of 1977 of Sch.3.03bn. in bilateral exchanges with Russia. The study by the two Austrian trade experts quoted earlier reckons that by 1980 the deficit could rise at least to Sch.5.4bn., possibly even to Sch 9.1bn.

This, then, is the background to the lightning two-day visit to Moscow by Chancellor Kreisky. It is felt in Austria that the Soviet Union increasingly turns to U.S., Japanese and German suppliers when major contracts are at stake. At the same time increased Austrian purchases of fuel and electricity from the East is bound to lead to a continued rise of the import bill.

The deterioration of the balance in the vital Eastern European trade coincides with a dramatic rise of the overall Austrian trade deficit, with corresponding strains on the balance of payments. It is estimated that the net indebtedness of the Eastern European States to Austrian banks reached some Sch.25bn. by the end of 1976. One estimate is that further credits worth Sch.27bn. will have to be extended by 1980, with Poland accounting for the bulk of the outstanding total. Poland already has a 3.9 per cent. stake in Austrian exports and ranks as the single most important market before Hungary with a 3 per cent. market share.

Sales

Evidently access to the Austrian market is an important condition for maintaining and raising Austrian sales in Easter Europe. Yet the trade deficit has already induced the Government to revoke the autonomous tariff cuts applied to imports from low-cost and East European countries. Regardless of the fact that 60 per cent. of the imports from Comecon are not subject to tariffs anyway, the latest restrictions are not exactly suitable to improve the psychological climate for Austrian exporters in those difficult markets.

There are of course also more hopeful signs in trade and economic relations with the East. Austrian construction groups are likely to be engaged on large-scale projects to improve the infrastructure of the Hungarian tourist industry and there are good prospects for securing major contracts in East Germany and Czechoslovakia. But the trade statistics have so far failed to reflect the tangible fruits of the numerous co-operation ventures.

For certain selected and extremely important sectors Eastern Europe represents an even more vital market than the overall import share of 14.3 per cent. indicates. Thus in 1976 no less than 18.3 per cent. of exports of capital goods and 24.2 per cent. of the semi-finished products but only some 10 per cent. of consumer goods were shipped to the east. While the area accounts for only 9.1 per cent. of Austria's total imports, it provides one-third of imported fuel and energy and 14.1 per cent. of imported farm produce.

The Austrians take a realistic and somewhat pessimistic view of the medium-term prospects in East-West trade. They want to hold their ground in the stiff competition with other suppliers to Eastern Europe without indulging in any kind of wishful thinking about the real potential of "*Osthandel*."

Paul Lendvai

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The daunting trade gap

:IA'S VISIBLE trade has lately become the ing topic in newspaper nts and political debates. amatic worsening of the m began in 1976 when de gap widened by 66 nt. to Sch.54bn. and in of its share in the GNP from 4.7 per cent. to cent. To put it in another e deficit was one and a nes larger than the con- n of farming and y to GNP in that year. ar it rose by an estimated cent. to over Sch.71bn. llowing for the extremely gure under the heading s and omissions" in the t account transactions, urrent payments deficit ave risen from Sch.16bn. 6 to about Sch.28bn. in

t are the reasons for the nce? The main one is ich more rapid economic recorded in Austria than rest of Western Europe. en 1970 and 1976 real GNP stria rose by 27 per cent. inst an OECD average of er cent. and a compara- oure of 15 per cent. for Germany. But since 1972 abour costs calculated in al currencies have jum- Austria by 40 per cent., Germany, for instance, ly 21 per cent.

er factors forming the round to the growing t/export imbalance are excessively large budget ts of recent years, the sive wage settlements in and their repercussions on lemand for imported con- r durables, and last but not the monetary policy that ed the exchange rate of the ing to that of the D-mark ar too long.

ominate

e Common Market con- s to dominate Austria's gn trade, accounting in the ary-October period for 65.2 cent. of aggregate imports 9.7 per cent. of exports. At same time, however, the t in trade with the Com- ty reached the staggering of Sch 58.2bn., more than country's aggregate trade during the same period. complete dismantling of rial tariffs vis-a-vis Community as of July (except for such itive" products as special paper and farm pro- gave the advantage to the unity because finished actures accounted for er cent. of Austrian im- from that area in 1976 providing only 43.8 per n Austrian exports

key role is played of by West Germany. a's biggest trading part- king a 42 per cent. share strian imports and provid- market for 26.6 per cent. exports according to the returns for the first ten s of 1977. Nevertheless, Dr Friedrich Gleissner, of the foreign trade de- nt of the Federal Cham- Economy, and other ex- warn against the tempta- put the blame for the nce in the external pay- situation on the Common Market in general and West Germany in particular.

Dr. Gleissner points out that Austria managed to gain a larger share of the German market last year, with exports rising by 20 per cent. and imports by only 17.5 per cent. Nevertheless, the trade gap widened by 9 per cent. to Sch.54bn., Sch.31bn. of which was offset by net spending by German tourists in Austria. The fact is that Austria accounts for no less than 25 per cent. of Germany's visible trade surplus.

So it is no wonder that the Chamber of Economy undertakes particularly large trade promotion campaigns in Germany. About 2,000 businesses will be represented this year at German fairs. The three Austrian trade missions (in Frankfurt, Dusseldorf and Hamburg) organise "Austria weeks" in the big chain stores and stage meetings with potential industrial buyers both in the north and south of the country.

Austrian exporters more than held their ground last year in France and Belgium, but lost market shares in both Britain and Switzerland. But the Community is still the main factor behind the visible trade deficit and the subject has been repeatedly raised at meetings of the mixed Commissions in Brussels.

Push

The point is that despite the successes achieved by Austrian exporters, the combination of budgetary incomes and exchange rate policies has given a tremendous push to domestic demand for imported consumer goods. It is estimated that in 1976 imports accounted for 46.6 per cent. of industrial goods on sale in Austria compared with 33.8 per cent. ten years before. The leading sectors in terms of increased market shares were leather goods, textiles and clothing, whereas the highest share of imported products has traditionally been in such products as machinery, cars and electrical goods. The special 30 per cent. rate of VAT, instead of the average 18 per cent. levied on selected consumer durables, which came into effect this month will hit imported products first.

Protectionist practices, under whatever pretext, would in the long run only harm Austria's vital economic interests. Alternative routes could lie in broadening the scope for self-financing, in providing credit at preferential rates for selected sectors and those small and medium businesses which still constitute the backbone of Austrian industry, and in achieving restraint in wage settlements. Such moves combined with an exchange rate policy more in tune with trade and economic realities, could help pave the way towards a gradual improvement in the trade and payments balance.

The successes of Austrian exporters in Germany and in the OPEC countries show that there is no reason to doubt the ability of Austrian producers and salesmen to adapt to a more difficult market situation. But such qualities are not of themselves enough. Structural changes, redeployment of capacity, and ruthless rationalisation are also needed in such sectors as iron and steel, paper, glass, textiles, metals, and electrical manufacturing.

The promotion of Austrian-made products in Austria and appeals to the patriotic instinct of Austrians depend for success on the ability of domestic manufacturers to market products of the same price and quality as those of their foreign competitors. In such sectors as cars, cameras, and certain sophisticated electronic equipment import substitution is admittedly neither possible nor sensible. But with the fat years and the long period of rapid growth over, the Government, business community, and unions must combine forces if efforts to reduce the balance of payments deficit to manageable proportions are to be successful. Firm steps taken at home rather than complaints voiced in Brussels can provide the only sound basis for sustained recovery.

P.L.

Steelmen seek to diversify

LIKE ITS conterparts throughout Europe, Austria's steel industry has been badly hit by the world-wide slump in demand. While industrial output as a whole managed to record a 2.4 per cent. increase in the third quarter of 1977 and an average of 5.1 per cent. for the January-September period, the steel sector reported a 13.6 per cent. fall in output during the third quarter. OeIAG, the holding company for the nationalised industries, revealed that crude steel output during the first nine months of 1977 dropped by 9.4 per cent. to 2.93m. tons compared with the corresponding period a year earlier.

Mr. Heribert Apfalter, director-general of Voest-Alpine, the nationalised steel concern which comprises in fact the entire steel industry, has just warned the public that 1978 is likely to be even more difficult. Last year closed with an estimated loss of between Sch.800m. and Sch.1bn., easily exceeding the hitherto record deficit of Sch.660m. of 1975.

Voest-Alpine, Austria's biggest company with a group turnover of Sch.44.8bn. in 1976 and a total labour force of some 80,000, is a showpiece of Austrian industry and also a household name among steelmakers throughout the world. It pioneered the famous L-D (oxygen blast) steel-making process which to-day accounts for 51 per cent. of the world's steel production.

With exports accounting for 70 per cent. total sales, Voest-Alpine is faced with a critical situation as a result of falling demand combined with intensified competition from Korea, Japan, Italy and Spain in traditional export markets such as Eastern Europe. The import restrictions imposed by the European Community and the U.S. have further accentuated the problems of a company which ships 35 per cent. of its exports to the EEC and almost 30 per cent. to Eastern Europe.

The announcement that 15,000 workers have had to be put on short-time working, camouflaged as "re-training" involving 20 per cent. of their working time, alerted the public at large to the serious situation in which Austria's leading company finds itself. Last year the production staff of the parent company was reduced by only 1,000 to 40,000. Thus despite a reduction of the staff by 3,000 between 1975 and 1977, Dr. Franz Geist, director-general of OeIAG, estimates that employment should be cut by between at least 6,000 to 8,000 during the next five years.

The special steel subsidiary, VEW (Vereinigte Edelstahlwerke), with a total labour force of 27,000 and an annual turnover of Sch.14bn. is in a particularly difficult situation because exports account for 80 per cent. of its turnover. Thus the company was particularly badly hit by the combined effects of the appreciation of the Austrian schilling, import restrictions, competition from low-cost producers and the emergence of special steel producers in Brazil, India, Mexico, etc. The merger of Boehler, Schoeller-Bleckmann and Styria in mid-1975 into one single special steel concern has only slowly begun to be reflected in day-to-day operations. This month sales outlets in Germany, Italy and Switzerland have been merged.

Switch

What has helped to avert even greater losses and massive lay-offs in the nationalised steel sector was the switch during the past years to machinery and industrial engineering, whose share of sales has risen from 26 per cent. in 1969 via 32 per cent. in 1973 to 45 per cent. last year. Mr. Apfalter is determined to continue the process, which was launched by his predecessor Dr. Herbert Koller.

The target is that the share represented by manufactures and industrial engineering should eventually reach 50 per cent. This is why the group, despite its present difficulties, intends to invest between 1978 and 1982 about Sch.17bn. Such large outlays cannot be financed from cash flow and the management is publicly pressing the holding company, that is the Government, for the provision of Sch.4bn. additional capital.

Prospects for the delivery of complete plants and for contracts involving technical assistance are still promising. During the past few months Voest-Alpine alone has secured major contracts for the delivery of a complete steel plant to South Korea, worth Sch.2.6bn., turbines for a hydro-plant in Nigeria (Sch.250m.), a fertiliser plant in Yugoslavia (Sch.200m.), a water distillation plant for East Germany (Sch. 120m.), and chemical plants for India and East Germany. In all, Voest-Alpine has so far erected complete industrial plants worth Sch.23bn. all over the world.

Meanwhile Austria has also introduced what is tactfully called "stricter supervision" in order to block steel imports at dumping prices. The measures will affect about 200,000 tons or 75 per cent. of imported steel and will be similar to the automatic licensing system used by the European Community for iron and steel. Steel imports jumped by 45 per cent. in January-September 1977 compared with the corresponding period of 1976, reaching a record share of 25 per cent. of domestic consumption in September as against an average of 14 per cent. in 1976.

Nevertheless, it was Mr. Apfalter himself who in a New Year interview spoke out firmly against any kind of protectionist practices. He made it clear that in terms of export concentration Austria is very vulnerable indeed. This is already evident on the eve of the forthcoming crucial talks in Brussels with the European Community about the projected minimum prices for outside producers, anti-dumping duties and tightened import licences.

Mr. Apfalter, however, also drew attention to the crucial factor of restraint in wage policy. Newspaper reports about interviews with steel workers involved in the "retraining" schemes made it clear that for Austrian workers job security continues to have absolute priority. The steel-workers are willing to accept even a cut in real wages if it will help to maintain full employment.

It remains to be seen whether the short-time working and early retirement schemes coupled with a freeze on new employment will suffice to avert redundancies. In view of the slackening of growth in Austria and the growing difficulties in exports, the prospects for maintaining full employment in the overmanned steel sector are not very promising.

P.L.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Carter proposals leave Dow 6 lower

BY OUR WALL STREET CORRESPONDENT

NEW YORK, Jan. 23.

A FRESH bout of weakness gripped Wall Street to-day, as investors responded bearishly to President Carter's series of economic proposals and also worried over some adverse corporate news and the dollar's new retreat in Foreign Exchange markets.

The Dow Jones Industrial Average ended 6.24 down at a new closing low for the year of 770.70, after touching 766.55. The NYSE All Common Index fell 35 cents to $49.38, while declines outpaced gains by 926 to 448. Turnover was a moderate 19.38m. shares, compared with only 7.58m. last Friday when the session was shortened by two hours by a heavy snowstorm which hit New York.

As the market opened, the Administration released its 1979 fiscal Budget, which analysts said was no more encouraging than the State of the Union message last Thursday, the economic report to Congress on Friday, and the tax law changes on Saturday.

Analysts added that investors particularly disliked the President's wages and prices programme.

Eastman Kodak, the most active NYSE issue, receded $2¼ to $46¾—a Federal jury found Kodak guilty of violation of anti-trust laws by monopolising the market for color-print paper, film and cameras. The verdict was the outcome of a $300m. law suit brought by **Berkey Photo**, which gained $⅝ to $5.

Du Pont declined $2 to $107⅞ after reporting fourth-quarter earnings higher than a year ago but less than the third quarter level.

Actively-traded **Becton Dickinson** jumped $5½ to $38⅞—Sun is attempting to acquire the company, but Becton claims that Sun's stock purchases were illegal.

THE AMERICAN SE Market Value Index came back 0.40 to 121.43 in moderate activity. Volume 2.37m. shares (1.25m.).

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Eastman Kodak	381,500	46¾	−2¼
Becton Dickinson	273,600	38⅞	+5½
Pepsico	220,500	26	+⅛
Berkey Photo	215,500	5	+⅝
G. D. Searle	183,100	13⅛	+⅛
NLT	158,308	21½	−⅛
General Motors	143,500	59¾	−1¼
IBM	140,300	265⅜	−1¼
CLC of America	139,600	9	+⅛
Citicorp	172,080	20⅛	−⅛

OTHER MARKETS

Canada irregular

Canadian Stock Markets finished on an irregular note again yesterday after another moderate business. The Toronto Composite Index was just 0.1 easier at 1,010.4, while Oils and Gas declined 6.2 to 1,380.8, but Golds moved ahead 32.4 to 1,418.1.

PARIS—Shares further weakened following the latest opinion poll indicating that the Left-wing parties would win more than half the seats in the French National Assembly.

Oils alone were steady against the lower trend, with **French BP** up Frs.1.30.

The gold-linked 4.5 per cent., 1973, Government Loan rose a further 33 to a new record high of Frs.774.

BRUSSELS—Mixed in slack trading conditions.

Hainault, Solvay, Finoutremer and **Andre Dumont** rose, but **Traction, Vieille Montagne, Cockerill, Clabecq, UCB** and **Arbed** were lower.

AMSTERDAM—Prices moved narrowly with no decided trend in very quiet trading.

Elsewhere, however, **KLM, AMEV** and **Ahold** recorded gains of over Fls.1.00.

State Loans were steady.

GERMANY—Leading stocks were inclined higher on selective buying interest.

Bayer, DM1.10 firmer, led major Chemicals while, in Motors, **BMW** gained DM3.50. **Mannesmann** advanced DM2.20 and **Siemens** DM2.90 in mixed Electricals, but Stores were up to DM5 lower and Banks down as much as DM1.50.

Public Authority Bonds were mixed with a firmer bias, with both gains and losses ranging up to 10 pfennigs.

VIENNA—Tending lower, although **Steyr Daimler Puch** were unchanged on its plans to increase the capital, while **Kleinmuenchner** advanced on rumours of a possible dividend payment.

STOCKHOLM—Market was inclined to higher levels, with **SKF "B"** gaining 3.5 at Kr.74.

MILAN—Stocks moved ahead to close mainly at the day's best after moderate dealings, continuing the past week's recovery. Hopes for a quick solution to the Government crisis helped improve overall demand.

All leading Industrials firmed, accompanied by Banks, Insurances and Financials.

Bastogi rose 22.5 to L393.5, **Pirelli** 43 to L2,001, and **Snia Viscosa** 19 to L420.

Bonds were actively higher.

SWITZERLAND—Narrowly irregular again, with some gains occurring on selective demand as more stable Foreign Exchange markets contributed to a firmer undertone.

Banks were little changed apart from easier **Volksbank**, while Insurances firmed slightly, but Utilities reacted on profit-taking.

Domestic Bonds edged higher in quiet trading, while Foreign Bonds fluctuated narrowly.

HONG KONG—Market was firmer, with interest centred on Blue Chips, while second-liners moved narrowly.

Jardine Matheson rose 60 cents to $HK12.50, **Hong Kong Bank** 20 cents to $HK17.10 and **Hutchison Whampoa** 7.5 cents to $HK3.65. **Hong Kong Land**, $HK6.65, and **Swire Pacific**, $HK5.60, gained 10 cents each, while **Wheelock Marden** put on 5 cents to $HK2.175.

Outside the Blue Chips, **Hong Kong Wharf** added 40 cents at $HK13.30.

TOKYO—Shares were mainly easier in limited trading in the absence of encouraging factors. The Nikkei-Dow Jones Average fell 17.86 to 5,046.24. Volume 190m. shares (300m.).

Export-orientated Electricals, Vehicles and Cameras led the fall, with **Sony** losing Y20 to Y1,830, **Pioneer** Y40 to Y1,430, **Toyota Motor** Y15 to Y780, and **Canon** Y7 to Y440.

Housings, Constructions, Shipbuildings, and large-assets shares lost ground on sporadic liquidations.

However, exceptions to the general downtrend included **Takeda Chemical**, Y16 higher at Y290, and **Nippon Shinpan**, up Y8 more at Y568.

JOHANNESBURG—Golds finished firmly following favourable London Bullion indications.

Financial Minings were higher on balance in moderate dealings, while other Metals and Minerals also hardened, but **De Beers** lost an initial gain of 5 cents to close unaltered at R5.70.

Industrials tended to improve in light trading, but **AMIC** shed 5 cents to R8.80.

AUSTRALIA—Stock prices again closed on an irregular note.

BHP were 2 cents harder at $A3.36, while **ICI Australia**, $A2.10, and **News**, $A2.20, improved 5 cents apiece. **Myer** put on 3 cents to $A1.91 bid, but **Container**, $A1.92, and **Reckitt and Colman**, $A3.80, contrasted with losses of 5 cents each, while **Associated Concrete** retreated 6 cents to $A1.67.

Among the Mining sector, **Pancontinental** receded 30 cents to $A11.00 and **Queensland Mines** 5 cents to $A1.95, but **North Broken Holdings** were 3 cents firmer at $A1.16 and **Utah** 5 cents up at $A3.25.

Dollar weak

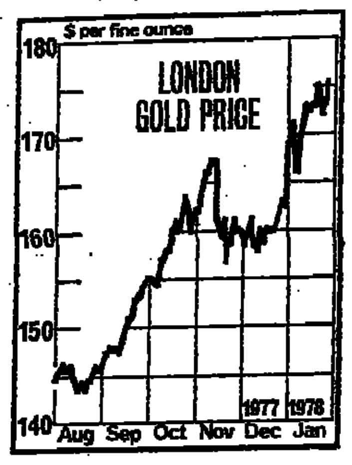
Sterling, most other major currencies, and the price of gold rose in terms of the U.S. dollar yesterday. The foreign exchange market was generally quiet and trading was thin however, with the pound holding a fairly firm undertone throughout the day, while the dollar maintained an equally weak trend.

Sterling opened at $1.9370-1.9385, and eased to a low point of $1.9350-1.9360 in the morning. It touched $1.9420-1.9430 in the afternoon, and closed at $1.9415-1.9425, a rise of 95 points on the day. The pound's trade-weighted index, on Bank of England figures, was equal to its highest closing level since April 1976, at 66.2, after standing at 66.2 at noon and 66.1 in early trading.

The dollar's trade-weighted depreciation, as calculated by Morgan Guaranty of New York, widened to 4.68 per cent. from 4.51 per cent. The dollar touched a best level of DM2.12 against the D-mark, and Sw.Frs.2.01 in terms of the Swiss franc during the morning, but finished at around its weakest level of the day. It closed at DM2.1117½, compared with DM2.1235 on Friday, and Sw.Frs.1.9843, compared with Sw.Frs.2.0025 previously.

European central banks may have intervened in a small way to prevent the dollar from falling more sharply, although most of the decline came towards the close, after the central banks had withdrawn from the market.

Gold rose $2¼ to $175¾-176, the highest closing level since April 3, 1975. The imminent change in the gold agreement for the major industrial countries had little impact, with the metal largely influenced by the weakness of the dollar.



CURRENCY RATES

	Special Drawing Rights January 23	European Unit of Account January 23
Sterling	0.625406	0.631809
U.S. dollar	1.21508	1.22408
Canadian	1.34106	1.35606
Austria sch.	18.4388	18.5945
Belgian franc	39.8851	40.2478
Danish krone	6.99098	7.05674
Deutschemark	2.56991	2.59451
Dutch guilder	2.75127	2.77738
French franc	5.73969	5.79548
Italian lira	1056.59	1066.62
Japanese yen	293.141	295.940
Norway krone	6.24858	6.31091
Spain peseta	97.7827	98.7918
Swedish krone	5.649341	5.70203
Swiss franc	2.42980	2.44615

EXCHANGE CROSS-RATES

Jan. 23	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.1120-35	44.63-78	6.44-45	4.102 112	95.20-40	106.15-45
New York	47.37-40	—	21 2) 22	5.0498 (550	1.9430-944	44.29 83	80.46 50
Paris	225.17-67	4.7255-7375	—	14.279 405	9.1635-1835	205.39 89	236.66-7.16
Brussels	15.51-55	32.80-85	6.93-46	—	63.60-76	14.48-63	16.48-54
London	4.09½-10½	1.5415-25	9.15½-16½	63.50-60	—	4.38-39	3.843-85½
Amst'dam	107.005-106	2.2667-92	47.89 94	6.9005-9005	4.3905-3955	—	113.365-405
Zurich	94.028-215	1.987-990	42.040-121	6.0689 075	8.8534-8806	87.84-88.03	—

U.S. $ to Toronto U.S. $ = 110.38-41 Canadian cents.

EURO-CURRENCY INTEREST RATES*

[illegible]

GOLD MARKET

	Jan. 23	Jan. 20
Gold Bullion (a fine ounce)		
Close	$175¾-176	$172¾-173½
Opening	$174¾-175¼	$173¾-174¼
Morning fix'g	$174.93 (£90.213)	$173.30 (£89.607)
Aftern'n fix'g	$175.20 (£90.265)	$173.08 (£89.547)
Gold Coin... domestically		
Krugerrand	$181-183 (£93¼-94¼)	$178¾-180½ (£92½-93½)
New Sov'gns	$54¼-56¼ (£28-29)	$54-56 (£28-29)
Old Sov'gns	$53-55 (£27¼-28¼)	$52½-54½ (£27¼-28¼)
Gold Coins... Internat'lly		
Krugerrand	$180-182 (£92¾-93¾)	$178¾-180½ (£92½-93½)
N'w Sov'gns	$54¼-56¼ (£28-29)	$53½-55½ (£27¾-28¾)
Old Sov'gns	$53-55 (£27¼-28¼)	$52½-54½ (£27¼-28¼)
$20 Eagles	$256½-259½	$255½-258½

FOREIGN EXCHANGES

Jan. 23	Bank Rates %	Market Rates Day's Spread	Close
New York	6½	1.9350-1.9430	1.9415-1.9425
Montreal	7½	2.1380-2.1450	2.1430-2.1440
Amsterdam	4½	4.37½-4.41	4.38-4.39
Brussels	7½	63.45-63.80	63.50-63.60
Copenhagen	9	11.10-11.16	11.10½-11.11½
Frankfurt	3	4.09-4.12	4.09½-4.10½
Lisbon	15	77.50-78.30	77.80-78.30
Madrid	8	156.10-156.40	156.25-156.45
Milan	11½	1,687-1,692	1,692-1,693
Oslo	6	9.92½-9.96½	9.97-9.98
Paris	9½	9.15-9.18	9.15½-9.16½
Stockholm	8	8.99½-9.04	9.03½-9.04½
Tokyo	4¼	462-475	468-470
Vienna	5½	28.38-28.55	28.45-28.55
Zurich	1½	3.84-3.89	3.84½-3.85½

‡Rates given are for convertible francs. Financial franc 63.75-63.85.

OTHER MARKETS

			Notes Rates
Argentina	1217½-1217.45	Argentina	1165-12[illegible]
Australia	1.6922-1.7062	Austria	[illegible]
Brazil	31.82-37.82	Belgium	[illegible]
Finland	7/8-7/80	Brazil	[illegible]
Greece	68.911-70.811	Canada	2.12½-2.14
Hong Kong	8.94½-8.98½	Denmark	11.05-11.3
Iran	152-158	France	9.10-9.2
Kuwait	0.537-0.547	Germany	4.08-4.1

Rate given for Argentina is a free rate.

FORWARD RATES

[illegible]

Indices

NEW YORK -DOW JONES

	Jan. 23	Jan. 20	Jan. 19	Jan. 18	Jan. 17	Jan. 16	1977-78 High	1977-78 Low	Since compilation High	Since compilation Low
Industrial	770.70	776.94	778.67	786.60	779.02	771.74	999.75 (3/1/77)	770.70 (23/1/78)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	89.56	89.56	89.68	89.76	89.62	89.75	95.87 (7/9)	89.56 (23/1/78)	—	—
Transport	210.51	210.95	211.24	212.07	209.19	207.68	246.64 (13/6)	199.60 (26/10)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	106.26	106.77	106.73	106.80	105.75	106.36	118.67 (22/2)	104.97 (25/2)	165.32 (20/4/69)	10.50 (28/4/42)
Trading vol. 000's	19,380	7,580	21,500	21,390	19,360	18,760	—	—	—	—

* Basis of index changed from August 24.

	Jan. 20	Jan. 13	Jan. 6	Year ago (approx.)
Ind. div. yield %	5.92	5.95	5.80	4.27

STANDARD AND POORS

	Jan. 23	Jan. 20	Jan. 19	Jan. 18	Jan. 17	Jan. 16	1977-78 High	1977-78 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	98.20	98.94	98.18	99.73	98.96	98.44	118.92 (3/1/77)	[illegible] (23/1/78)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	89.24	89.89	90.09	90.56	89.88	89.43	107.00 (3/1/77)	[illegible] (23/1/78)	125.85 (11/1/73)	4.40 (1/6/32)

	Jan. 18	Jan. 11	Jan. 4	Year ago (approx.)
Ind. div. yield %	5.13	5.18	4.96	3.77
Ind. P/E Ratio	8.74	8.65	9.01	11.24
Long Govt. Bond yield	8.17	8.91	8.04	5.91

N.Y.S.E. ALL COMMON

Jan. 23	Jan. 20	Jan. 19	Jan. 18	1977/78 High	1977/78 Low
49.38	49.73	49.82	50.04	57.07 (4/1/77)	49.38 (23/1/78)

Rises and Falls

	Jan. 23	Jan. 19	Jan. 20
Issues traded	1,856	1,859	1,672
Rises	448	674	526
Falls	926	701	616
Unchanged	482	484	530
New Highs	19	15	10
New Lows	64	34	33

	Jan. 23	Jan. 20	Jan. 19	Jan. 18	1977-78 High	1977-78 Low
MONTREAL Industrial	—	166.20	166.61	166.82	186.47 (17/5)	158.02 (25/10)
MONTREAL Combined	—	175.17	175.49	175.62	187.95 (19/1/77)	165.60 (25/10)
TORONTO Composite	1010.4	1010.5	1010.5	1008.8	1067.4 (19/7)	961.0 (26/10)
JOHANNESBURG Gold	211.5	209.6	208.7	206.1	214.7 (17/10)	139.4 (24/6)
JOHANNESBURG Industrial	212.1	211.6	212.1	212.4	214.4 (4/1/78)	169.1 (22/4)

	Jan. 23	Previous	1977-78 High	1977-78 Low
Australia (¶)	465.14	464.99	479.45 (5/1/78)	412.85 (16/2)
Belgium (‖)	92.47	92.09	99.12 (10/1/77)	90.43 (12/1/78)
Denmark (**)	96.48	96.35	107.82 (9/6)	95.54 (25/11)
France (††)	50.6	51.3	58.4 (7/1/77)	46.5 (10/6)
Germany (‡‡)	809.3	807.7	815.5 (17/11)	712.5 (10/6)
Holland (§§)	80.5	80.5	93.2 (4/5)	76.6 (29/8)
Hong Kong (¶¶)	405.65	400.27	425.17 (11/5)	383.44 (13/1/78)
Italy (‖‖)	57.98	57.21	74.71 (6/1/77)	54.90 (22/12)
Japan (a)	374.96	376.59	390.93 (29/9)	350.49 (24/11)
Singapore (b)	264.41	263.76	268.02 (29/8)	242.28 (5/5)
Spain (d)	—	96.29	100.00 (30/12)	95.07 (19/1/78)
Sweden (e)	357.96	351.51	416.62 (22/5)	338.65 (24/11)
Switzerl'd (f)	304.3	304.0	318.2 (14/10)	280.6 (4/5)

Indices and base dates (all base values 100 except NYSE All Common—50 Standards and Poors—10 and Toronto 300-1,000, the last named based on 1975) † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord. (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970. (¶¶) Hang Seng Bank 31/7/64. (‖‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Closed. (d) Madrid SE 30/12/77 high and low for 1978 only. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. ⊕ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. [illegible]

OVERSEAS SHARE INFORMATION

Investment premium based on $2.60 per £—79¾% (78%)

NEW YORK

Stock	Jan. 23	Jan. 20
Corning Glass	47⅝	47⅝
CPC Int'n'tional	43⅝	44⅛
Crane	26	25⅞
Johns Manville	28⅛	28¼
Johnson Johnson	70	70⅛
Johnson Control	26⅛	26⅝
Revlon	41¼	41⅛
Reynolds Metals	29¾	30
Reynolds R. J.	54⅛	54¼
Woolworth	18¼	18¼
Wyly	0¾	0¾
Xerox	44	44⅜
[illegible]		

CANADA

[illegible]

GERMANY ◆

[illegible]

AMSTERDAM

[illegible]

COPENHAGEN ♣

[illegible]

VIENNA

[illegible]

TOKYO ¶

[illegible]

Source Nikko Securities, Tokyo.

BRUSSELS/LUXEMBOURG

[illegible]

SWITZERLAND ●

[illegible]

MILAN

[illegible]

AUSTRALIA

[illegible]

PARIS

[illegible]

STOCKHOLM

[illegible]

BRAZIL

[illegible]

Source: Rio de Janeiro SE.

OSLO

[illegible]

JOHANNESBURG

MINES

[illegible]

INDUSTRIALS

[illegible]

Securities Rand Discount 33½%

SPAIN ♥

[illegible]

هكذا من الأصل

Brazil soya crop hit by drought

By Sue Branford

SAO PAULO, Jan. 23.

RECENT DROUGHT in Rio Grande do Sul, Brazil's leading soya-producing state, has caused a 15 per cent. drop in this year's crop to 5.1m. tonnes.

The new crop estimate was released at the end of last week by the state agricultural department.

The drought has also affected the crop in Parana, the second most important soya producing state. Mr. Hans Henning Gunther, head of the Parana Rural Assistance Association, put the damage at 10 per cent., bringing the crop down to 3.4m. tonnes.

The Federal Government Commission for Production Financing is much more cautious in its estimate of the damage. It puts the soya crop at between 12 and 13.2m. tonnes, which is 200,000 tonnes less than the December estimate.

However, officials admit that the estimate may be revised downwards when a more detailed survey has been made.

Plan to boost Indian tea area

NEW DELHI, Jan. 23.

INDIA'S AREA under tea will be increased by 4,000 hectares (1 per cent.) each year if a plan being considered here is adopted, Mr. T. S. Broca, chairman of the Indian Tea Board, said.

He told a meeting of the Indian Tea Association in Siliguri, West Bengal, at the week-end that 1,600 hectares would also be replanted with new bushes.

He asked planters to raise production by 25m. to 30m. kilos a year so that exports could be increased.

Indian tea output last year was estimated at 590m. kilos.

Reuter

FARMS SELL MORE MILK IN DECEMBER

By Our Commodities Staff

SALES OF milk off farms in England and Wales totalled ...m. litres in December—9.7 per cent. above the December ... total.

Liquid sales were 2.2 per cent. higher at 556m. litres, but milk for ... cream went up 6.1 per cent. to ...7m. litres and supplies for manufacturing rose 27.6 per cent. to ...38.1m. litres.

Selling pressure hits metal prices again

BY JOHN EDWARDS, COMMODITIES EDITOR

BASE METAL prices came under further heavy selling pressure on the London Metal Exchange yesterday. Standard grade cash tin closed £105 lower at £6,175 a tonne after having traded £6,105 earlier in the day.

Copper cash wirebars were £7.25 down at £641.25 a tonne. Lead continued its downward plunge, losing another £11.50 to £320.75 a tonne following a fall of over £27 last week. Cash zinc fell to the lowest point since June, 1973, losing £7.375 to £253.625 a tonne.

The firmer tone of sterling against the dollar was one obvious reason for the decline in prices. But the main influence appears to be a general disillusionment among speculators, bringing a shift in market sentiment to a more gloomy outlook after the short-lived "New Year euphoria."

The copper market was upset yesterday by a much bigger rise in warehouse stocks than anticipated. The stocks increase of 3,975 tonnes, against expectations of around 800 tonnes, took total LME warehouse holdings to a record 645,300 tonnes.

This brought out further "short" and stop-loss selling which some dealers believe may now have forced the market to an artificially low level.

The trend in copper influenced lead and zinc. Speculative interest in lead has been badly undermined by the recent sharp price fall and yesterday was a continuation of stop-loss selling. A rise in lead stocks, up by 650 to 67,325 tonnes, did not help improve sentiment.

There is a similar situation in zinc, where the huge surplus of stocks continues to be a very depressing influence in the face of sluggish demand. Stocks showed a small fall of 50 tonnes to a total of 63,975 tonnes, but the really big holdings of surplus zinc are known to be in producers' hands.

Tin was initially depressed by a decline in the Penang market over the week-end, firmer sterling and the trend in other metals. As expected, warehouse stocks rose by 45 to 4,400 tonnes.

Prices rallied from the lower level following some heavy physical buying interest, reported to be coming from U.S. steel mills.

This may have been a reaction to the report from Washington that the Federal Preparedness Agency was requesting a supplemental Budget authority of $70.5m. to acquire additional strategic stockpile materials in the fiscal year to September 30, 1978 and $176.6m. for the following fiscal year.

It has been assumed that stockpile purchases of materials considered to be required, including copper, platinum, lead, zinc and nickel, would be financed from the proceeds of selling materials in surplus to requirements, notably tin and silver.

Silver prices certainly reacted to the report, moving up in afternoon trading after being "fixed" only marginally higher in the morning. LME silver stocks showed little change, declining by 20,000 to 20,230,000 ounces.

It was later reported from Washington that the Administration's legislative package to dispose of surplus materials in the strategic stockpile will not be ready for dispatch to Congress for about six weeks.

● Late last night, Kennecott Copper said it was cutting its copper cathode prices from 63 cents to 61½ cents a pound.

Caribbean sugar plea to Canada

BY OUR OWN CORRESPONDENT

GEORGETOWN, Jan. 23.

THE CARIBBEAN Community has decided to write to the Canadian Government concerning reports that Ottawa is preparing to cut its £8 per ton preference on sugar. The region sells about 50,000 tons of sugar to Canada through private interests and there is some concern that the preferential tariff may be axed in preparation for Canada's participation in the next round of multilateral trade negotiations in Geneva.

Meanwhile the Community (known as Caricom) has decided to support an overall strategy by the African-Caribbean-Pacific group that negotiations with the EEC for a new price for cane sugar in the coming crop year should be retro-active and that any storage costs charged should be "reasonable."

The region will also continue its support of the ACP group's position that the price for cane sugar imports into the EEC should not automatically be dependent on the price range set by the Community for its own beet growers, and that the refiners should not be involved in price negotiations as happened in 1977.

In Washington President Carter closed a gaping loophole in the Administraion's sugar policy which allowed imported, refined sugar to escape the intended effect of higher import fees, reports AP-Dow Jones.

Observing that "refined sugar has been entering the U.S. at an unprecedented rate," the President issued a proclamation requiring higher duties for imported refined sugar.

All imported sugar prices will be subject to fixed fees of 2.7 cents a pound for raw sugar and 3.22 cents a pound for refined sugar, up to 50 per cent. of the value of the imported sugar. The new fees went into effect from Saturday.

In addition, the President directed the U.S. International Trade Commission to expand its investigation of imported sugar to determine if sugar-containing products are being, or will be imported in ways and amounts that will interfere with the Agriculture Department's sugar price-support operations.

He threatened tough action if his revised programme did not work. "I will not hesitate to take even more stringent actions," he said, adding: "The dumping of imported sugar on our domestic market won't be tolerated."

Guernsey tomatoes do well

BY OUR OWN CORRESPONDENT

GUERNSEY'S TOMATO industry did better than expected in 1977 in spite of the worst summer conditions for many years.

The island's Tomato Marketing Board said that exceptionally heavy September pickings had helped to raise the total quantity of fruit exported to 8.26m. six-kilo trays—more than in either of the two previous years.

Tomato exports fetched about £22m., an increase of more than £3m. on 1976, and payments to growers were up £2.4m. higher.

Holland remains Guernsey's biggest competitor in the U.K. market during the main exporting season, says the Board. But last year's shipments from Eire to the north of England were "uncomfortably high," while Romanian tomatoes are seen as a "very real" potential threat.

Cocoa price decline continues

By Richard Mooney

THE DECLINE in cocoa prices continued on the London futures market yesterday with the May position closing £18 lower at at a 16-month low of £1,500 a tonne.

May cocoa has now fallen by £116 in less than two weeks.

Dealers said there were no new fundamental developments to explain the fall. They saw it as an extension of the firmly entrenched downtrend.

Rumours that Nigeria had been selling cocoa pushed prices lower early in the day, but prices did not respond when these were later disproved.

Chart patterns remain very "bearish" and this has led to fresh short-selling which has in turn touched off many "stop loss" orders.

Yesterday's decline may also have been encouraged by news that Japanese third-quarter 1977 grindings fell 22.8 per cent. to 6,724 tonnes. Total Japanese grindings for the first nine months of 1977 were 16.6 per cent. below the total for the corresponding period of 1976.

In Accra, meanwhile, the Ghana Cocoa Marketing Board announced that cumulative main-crop cocoa purchases had reached 151,133 tonnes.

This would appear bullish compared with the 279,675 tonnes purchased at the same stage last year, but this season's crop is known to be very late

Platinum prices move higher

By Our Commodities Editor

PLATINUM PRICES surged further ahead on the London "free" market yesterday. The dollar price jumped by $7.75 to $209 an ounce and the sterling equivalent by £3.45 to £107.60—the highest levels for four years.

Dealers attributed the increase to continued Japanese buying, heavy speculative interest stimulated by further pressure on the dollar, and no sign of the Soviet Union resuming sales.

Further speculative buying enthusiasm was prompted by the news in Washington that the Federal Preparedness Agency is seeking a supplemental budget to acquire strategic stockpile materials. One of the materials deemed required under present stockpile objectives is 861,358 ounces of platinum.

GRAIN SUPPORT BUYING

Traders learning costly lesson

BY CHRISTOPHER PARKES

LEADING BRITISH grain traders have been angered and disheartened by what they regard as unreasonably inflexible controls over the quality of grain being bought off the market by the Intervention Board.

Out of an estimated 15,000 tonnes of barley offered at the intervention centres so far this year, only about 1,000 tonnes have been admitted.

One London-based company complained that out of four shipments it had offered for sale into intervention last week, only one had been accepted. The others had been turned away because the moisture content was too high.

In one case, the moisture content was only 0.2 per cent. above the maximum laid down in the rules governing support buying, the company's director complained.

That was equal to only 2 kilos of water in a tonne of grain. "A lorryload can soak up that amount from the air on the way to the intervention store on a muggy day," he complained.

He estimated that about 15,000 tonnes of home-grown barley had been offered to intervention since the turn of the year when the EEC's official stores were opened in Britain for the first time.

The complaints tend to confirm what was suspected before official buying began. Although the Government has prepared and rented some 250,000 tonnes' worth of grain storage space, it is applying rigid controls to ensure that intervention is used only as a "last resort" outlet.

It has no intention of permitting the support buying mechanisms to be used as an easy option for either the grain trade or for farmers with heavy tonnages to sell.

Similar complaints have come in the past from U.K. dairy traders who have failed repeatedly to off-load heavy tonnages of butter into public store. At one point last year the Intervention Board was considering buying about 20,000 tonnes of British butter. All but 1,000 or 2,000 tonnes was eventually turned away because of what merchants said were "niggling" complaints about minor flaws in the packing or presentation of the butter.

As a consequence of the delays—the Intervention Board can sometimes take months to decide whether to buy in butter—the traders had to sell their ageing stocks on the open market at a considerable discount.

Penalty

Grain traders suffer a similar penalty. Since it costs them anything from £3 to £5 to send a tonne of grain to intervention, this and the return "fare" is all too often these days proving to be a waste of money.

In its report on the quality of the 1977 wheat and barley harvests*, the Home-Grown Cereals Authority says that in spite of the exceptionally wet weather last year, protein content of the wheat crop was around or even a little above normal.

The average for Great Britain was 12 per cent. Best performers were the Flinor and Mega varieties, which had a protein content of 13.3 and 13.1 per cent. respectively.

However, the bulk of the home-grown crop fell far short of the bakers' breadmaking standards. On a special "bakeability" scale known as the Hagberg Falling Number, only wheat from the northern region of Britain matched or exceeded the minimum acceptable level of 180.

The average for the whole country on this scale was only 127 compared with 300 in the exceptional 1976 season.

The condition of the barley crop also helps demonstrate the difficulties would-be intervention sellers are suffering. Some 16 per cent. of the national barley crop is reported as having a "small grains" content exceeding the 12 per cent. maximum allowed for intervention purchases. And 13 per cent. of samples had a specific weight lower than the minimum stipulated for intervention purchase.

Disgruntled as they may feel, there is remarkably little sympathy among the grain trade associations, in the Ministry of Agriculture or at the Intervention Board for traders disappointed by their failure to sell to the official support buying body.

"It ought to be abundantly plain by now that no one is going to get away with anything in intervention," one official said. "If I were seriously to attempt a sale into intervention I would match all the standards immaculately, allow a margin for safety and a little more for luck."

* *Cereal Quality Survey 1977: 75p post free from the HGCA, Hamlyn House, Highgate Hill, London N19 5PR.*

India clamps down on jute hoarding

BY K. K. SHARMA

NEW DELHI, Jan. 23.

FACED WITH a critical shortage of raw jute, which many mills complain may force them to close, the Indian Government has launched a package of measures designed to combat hoarding.

Mr. George Fernandes, Minister of Industry, believes that some of the mills, and traders, are responsible for the shortages because they have "cornered" supplies for speculative purposes.

Mr. Fernandes to-day ordered that all traders in raw jute must licence themselves to continue in business. They must reveal the quantity of their stocks to the Jute Commissioner within two weeks. Traders will be punished severely if found to be involved in malpractices.

The Jute Commissioner has been asked to issue a notification requiring all stockists to disclose within two weeks the quantity of raw jute held by them. The maximum stock holding permitted to mills has been reduced from eight weeks' consumption to six weeks'. They will be required to submit weekly returns about both their stocks and purchases.

Simultaneously, the Jute Commissioner will conduct anti-hoarding operations against individual mills suspected of malpractices. This is to be done in co-operation with the West Bengal Government and trade unions.

Mr. Fernandes said that these were short-term measures to prevent the closure of jute mills. He would follow them up with a long-term policy.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Lower on the London Metal Exchange. As the pattern of trading in ... metals became clear and news ... of an increase in warehouse ... forward metal fell from £660 to ... short selling. The market settled ... close on the Kerb at £655 after a moderately active day. Turnover: 11,400 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £640, 40.5, three months £653.5, 53, 52, 52.5, 53. Cathodes, cash £631, 31.5. Kerb: Wirebars, three months £654, 53. ...

TIN—... market fell to £6,080 before it was checked by physical demand from the U.S and Europe. Covering against heavy buying by U.S. steel mills lifted the price to £6,150 and a close on the Kerb of £6,145. Turnover: 1,040 tonnes.

Morning: Standard, three months £6,125, 30, 20, 15, 10, £6,100, £6,090, 90, 55, 98. High Grade, cash £6,110, £6,100, 05. Kerb: Standard, cash £6,100, three months £6,085, £6,100, 95, £6,100, £6,095. Afternoon: Standard, three months £6,100, 10, 20, 30, 30, 25, 35, 30, 45, 50, 45, 45. Kerb: Standard, three months £6,140, 45, 40.

	a.m. Official	+ or —	p.m. Unofficial	+ or —
...	640-.5-1	—7.5	641-.5	—7.25
...	635-.5	—7.25	654-.5	—7
...	641	—7.5	—	......
...	631-.5	—6	631.5-2	—6.75
...	645.5-4	—6	644-.5	—6
...	631.5	—6	—	......
...	—	......	60-62.5	......

LEAD—Down in the wake of other base metals. ...

ZINC—Fell heavily reflecting the general weakness in other metals. ...

...dex Limited 01-351 3466. May cocoa 1,495-1,505. ...mont Road, London SW10 0HS.

BOND DRAWINGS

REDEMPTION
15th FEBRUARY, 1978

SLOUGH ESTATES LUXEMBOURG S.A.

... [illegible]

SILVER

Silver was fixed 0.4p an ounce lower for spot delivery in the London bullion market yesterday ...

COFFEE

On a featureless day, Robusta values meandered in a narrow range around £1,500 (basis March), Drexel Burnham reported. Interest was poor and local jobber activity dominated for most of the session. At the close the market was unchanged to £10 lower from Friday.

GRAINS

COCOA

Values remained weak and traded at seasonal lows ...

RUBBER

SLIGHTLY STEADIER opening on the London physical market. ...

SUGAR

WOOL FUTURES

MEAT/VEGETABLES

SMITHFIELD (pence per pound)—Beef: Scottish killed sides 46.0 to 49.5; Ulster hindquarters 57.0 to 59.0, forequarters 33.0 to 38.0; Eire hindquarters 56.0 to 56.0, forequarters 34.0 to 35.0.

Veal: Dutch hinds and ends 93.0 to ...

SOYABEAN MEAL

COTTON

JUTE

PRICE CHANGES

Prices per tonne unless otherwise stated.

	Jan. 23 1978	+ or —	Month ago
...	...	...	£680
...	...	...	$960-80
...	...	...	£681.75
...	...	...	£697.25
...	...	...	£670.5
...	...	...	£666
...	...	...	$155.875
...	...	...	£367.5
...	...	...	£372.75

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

U.S. Markets

Copper and precious metals gain

NEW YORK, Jan. 23.

COPPER closed firm on trade arbitrage buying, following strength in sterling. Precious metals finished firm on dollar weakness and concern over Egyptian and Israeli negotiations, Bache reported. Sugar ended higher on arbitrage buying, but cocoa eased on Commission House selling in quiet conditions. Grains were steady on good commercial buying.

Cocoa—March 134.05 (136.30), May 125.25 (125.90), July 121.50, Sept. 119.45, Dec. 116.25, March 114.45, May 113.20. Sales: 1,116 lots.

Coffee—"C" Contract: March 193.25-193.90 (196.67), May 178.90-179.00 (182.20), July 167.10, Sept. 161.36-162.50, Dec. 47.25, March 143.13 asked, May unquoted. Sales: 256 lots.

Copper—Jan. 58.50 (57.90), Feb. 58.70 (58.10), March 59.10, May 60.10, July 61.10, Sept. 62.10, Dec. 63.50, Jan. 64.00, March 64.90, May 65.80, July 66.70, Sept. 67.60. Sales: 3,900 lots.

Cotton—No. 2: March 55.60-55.70 (54.90), May 56.70-56.90 (56.05), July 57.65-57.85, Oct. 56.40-56.50, Dec. 56.75-56.90, March 59.70-59.90, May 60.10-61.00, July 60.30-61.00. Sales: 425,000 bales.

*Gold—Jan. 176.40 (173.30), Feb. 176.50 (173.70), March 177.10, April 179.40, June 182.00, August 184.60, Oct. 187.20, Dec. 189.90, Feb. 192.70, April 195.60, June 198.60, August 201.60, Oct. 204.60. Sales: 10,600 lots.

†Lard—Chicago loose 21.00 (same). New York prime steam 22.50 nom. (same).

...

STOCK EXCHANGE REPORT

Little incentive and prices barely move in thin trade

Gilts and leading shares easier—South African Golds firm

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Jan. 3	Jan. 12	Jan. 13	Jan. 24
Jan. 16	Jan. 26	Jan. 27	Feb. 7
Jan. 30	Feb. 9	Feb. 10	Feb. 21

* "New time" dealings may take place from 9.30 a.m. two business days earlier

South African Gold shares provided the firmest sector in idle stock markets yesterday. A further rise in both the investment currency premium and the bullion price—the latter to a 33-month high of $175⅝ an ounce—helped the Gold Mines index to a rise of 5.4 to 153.2 which represents a gain of over 18 per cent. in the past 12 trading sessions.

Trade in British Funds was *barely sufficient to test prices* which moved in narrow and irregular fashion before ending with widespread falls to ¼ and occasionally more. The Government Securities index slipped 0.23 to 77.00 with potential buyers holding off despite hopes that a further cut in Minimum Lending Rate may be in the offing.

Leading equities also traded within a limited range throughout the day as reflected in the tiny movements in the sensitive FT 30-share index; this measure was held to within a mere 0.3 for the six calculations from 10 a.m. to 3 p.m. and was finally 1.0 down on balance at 486.6. Only three of the constituents moved by more than twopence either way and took in Tate and Lyle which fell 6 to 206p ahead of results due to be announced to-morrow. Trading statements yesterday were few, and significant price movements were again centred on second-line and the more speculative issues.

Small falls outnumbered rises in the FT-Actuaries 46 group and sub-section headings, with the All-share index easing slightly to 213.59. On the other hand, rises in FT-quoted Industrials were in a majority, of seven-to-four, over falls for the fourth successive business day. Official markings of 5,404 mirrored the low level of trade and compared with 5,224 last Friday and 6,474 on Monday of last week.

Gilts lack incentive

Mildly optimistic in the opening dealings on considerations concerning an underlying U.K. inflation rate now in single figures, Gilt-edged eventually drifted back in thin trading to close marginally lower on balance. Criticism of the Government's monetary policies made little impact on market sentiment and in a continuation of Friday's late improvement high-coupon longs quickly established small gains. Buyers were not drawn, however, and a general lack of incentive encouraged a few sellers whose efforts finally led to the rises of ¼ being transformed into falls of that amount: exceptionally, the long tap Exchequer 10½ per cent. 1995, which has yet to be traded on any scale, was marked ⅜ lower to 29¼, in £30-paid form. Investment funds were light in the shorts and although Treasury bills were at a level which, if maintained on Friday, could trigger a small cut in Minimum Lending Rate, quotations here followed the downdrift in the longs to settle 3/16 cheaper. Corporations occasionally made improvements of ¼, while Southern Rhodesian bonds edged higher in a very light business, reflecting the amnesty offered to black nationalist guerillas in Rhodesia.

Early offerings released by arbitrage activities in South *African Gold shares took the* investment currency premium slightly lower to 77½ per cent., but at this level institutional demand revived and in relatively thin trading the rate recovered to 79⅛ per cent., for a rise of 1⅝ points on the day. Yesterday's SE conversion factor was 0.7455 (0.7556).

Alexanders please

Features were few in the Banking sector. The sharply higher annual profits prompted a gain of 8 to 293p in Alexanders Discount, while Hill Samuel improved 3 more to 100p on further consideration of the new capital proposals which, if implemented, will give an American/Arab-backed bank a stake of 12.8 per cent. in H.S.; the latter's Warrants moved up 30 to 600p. The major clearers closed with modest improvements after a small trade.

Insurances generally eased a shade in idle trading. Sentiment was not helped by the announcement that Sun Alliance be placed on the Department of Employment's pay sanctions blacklist because of changes in the companies pension scheme; Sun Alliance shed 6 at 576p. Elsewhere, C. E. Heath declined 7 to 260p and Alexander Howden declined 3 to 150p. By way of contrast, Edinburgh and General moved up 2 to 15p.

Breweries had little to commend them and Scottish and Newcastle closed fractionally cheaper at 68½p despite news of its proposed beer price increases. Elsewhere, Gough Bros. edged up 2 to a 1977-78 peak of 54p.

In quietly firm Buildings, Y. J. Lovell gained 5 to 90p and Montague L. Meyer added 4 at 86p, while UBM closed 3 dearer at 77½p. Taylor Woodrow, at 412p, edged forward 2 in response to Press comment. John Carr (Doncaster) put on 3 at 48p and RPB Industries settled 5 dearer at 248p.

Apart from a Press-inspired gain of 8 to 70p in International Paint, Chemicals had little to offer. ICI moved narrowly and finished the turn easier at 346p.

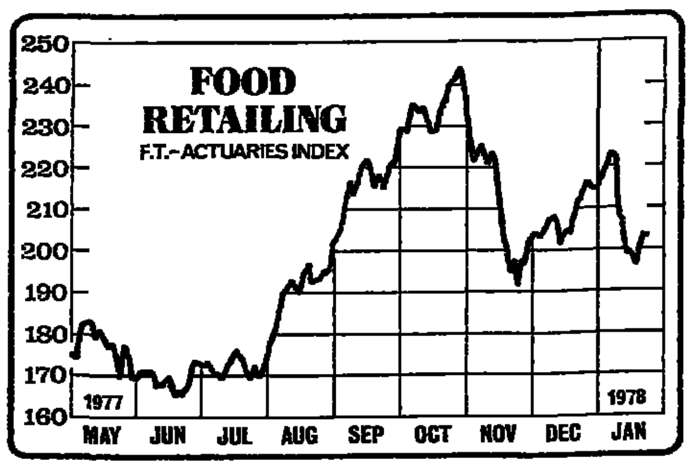
Dull recently on poor annual results, Anglia TV "A" recovered 3 to 87p.

Burton up again

Asset value considerations continued to bolster Burton, the Ordinary rising 2 more to 142p and the "A" 4 further to a 1977-78 high of 130p. Elsewhere in Stores, UDS gained 3 to 94p in reply to investment comment and W. L. Pawson hardened 1½ to 36p for a similar reason. Martin the Newsagent moved up 5 to 235p in a thin market, while Ratners (Jewellers) were wanted at 108p, up 7. N. Brown Investments, 34p, and Wearwell, 23p, improved 3 and 2 respectively.

Despite a paucity of business, Electrical leaders were inclined harder. Helped by favourable Press mention, Thorn improved a few pence to 372p, while EMI, 190p, and GEC, 274p, also closed marginally better. Elsewhere, Louis Newmark put on 2 more to 180p on the forecast of record profits, while similar gains were established by Newman Industries, 75p, and Allied Insulators, 65p. On the other hand, H. Wigfall slipped to 260p awaiting fresh deevlopments in bid situation before settling at 263p for a net loss of only 2.

J. Brown edged up a few pence to 250p in anticipation of Friday's interim results, but other leading Engineerings were inclined easier on lack of support. Elsewhere, Hallite Holdings continued to draw benefit from the good half-yearly results and put on 6 more to 142p for a two-day gain of 22. Fresh demand in a limited market left Rotork a like amount dearer at 130p, while Haden Carrier rose 5 to 99p. Fluidrive, however, remained sensitive to fresh offerings following the recent profits warning and gave up 5 more at 67p. Scattered demand prompted a rise of 4 to 66p in Birmingham Mint, while smaller-priced issues to make headway included Midland Industries, 44p, United Spring, 26p, and Brooke Tool, 19p, all up 2p. Bainbridge Engineering were temporarily suspended at 35½p pending an announcement from the company. Among Shipbuilders, compensation hopes gave Yarrow a fresh fillip of 10 to 295p, but Vosper, a good market recently for a similar reason, encountered sporadic profit-taking and eased 3 to 178p.



Tate and Lyle became unsettled in front of to-morrow's preliminary figures and fell 6 to 206p. Associated Fisheries, a firm market of late, eased 4 to 67p following Press comment, while similar falls were recorded in Robertson Foods, 147p, and Bluebird Confectionery, 179p. British Sugar contrasted with an improvement of 10 to 485p on small buying ahead of Thursday's results, and Geo. Bassett edged up 3 to 156p on the disposal of its wholesale and retailing subsidiary Drakes Sweets Marketing Ltd. to Palmer and Harvey for £5.3m.

Wheeler's Restaurants continued firmly, rising 20 to 280p for a two-day speculative gain of 25. Small buying lifted Prince of Wales 10 to 100p, but a favourable week-end Press on Friday's preliminary figures failed to create interest in Grand Metropolitan, which shaded 2½ to 106p.

Rank dip and rally

Standing a few pence easier late at 254p ahead of the preliminary results, Rank Organisation picked up on the annual profits which were at the top end of market estimates and closed a net 5 up at 263p. Other miscellaneous industrial leaders barely stirred from pre-weekend levels. Beecham, 3 better at 655p, recorded the biggest change. Secondary issues contained several firm features with "Mams" particularly noticeable for a rise of 6 to 79p in response to an investment recommendation. Still hoping for an increased offer, London Pavilion rose 35 more to 550p, while Talbex were a fairly lively market at 23¾p, up a penny, on fresh speculative support. Reflecting the strong return to profitability, United Guarantee added 2 to 17p and Parker Knoll A closed a similar amount dearer at 112p folowing Press comment. Avon Rubber, 205p, a firm speculative counter of late, held on to an early gain of 5 following the annual general meeting, while De La Rue rose 7 more to 300p and Hoskins and Horton 5 to 128p. Hoover A, however, shed 6 to 362p and recent bid favourite Pauls and Whites lost 8 to 122p. Associated Sprayers gave up 3 to 28p following the sharp downturn in second-half profits.

Motor Distributors, which have undergone a substantial market re-rating following Inchcape's bid for Pride and Clarke, moved further ahead in active trading with secondary issues leading the way. Pride and Clarke finished 23 better at 540p in sympathy with an improvement of 9 to 382p in Inchcape. Charles Hurst rose 12 to 84p, while Lookers, 59p, and Tate of Leeds, 60p, put on 5 and 10 respectively. Gains of about 4 were seen in H. Perry, 164p, H. and J. Quick, 42½p, and CGSB, 23p. Among smaller-priced issues, Penine edged up ½ to 5p and Oliver Rix ¾ to 6¾p. Elsewhere, Plaxtons (Scarborough) declined 5 to 125p reflecting cancellation of a new bus programme.

Paper/Printings closed firmer in places. Oxley Printing were notable for a rise of 5 to 51p, while Capseals improved 2 to 47p.

Oil Exp. above worst

Interest in the Oil majors remained at a low ebb. British Petroleum shaded a few pence to 804p and Shell gave up 5 at 512p, but dollar premium influences helped Royal Dutch rise ¾ more to £38¾. Elsewhere, Oil Exploration were actively traded and fell further to 320p on persistent selling before rallying on the company's denial of rumours of a dry well; the close was 232p for a net fall of 8.

Properties failed to derive any further benefit from last Friday's confirmation of a major property sale by Trafalgar House. Scattered selling coupled with lack of fresh support left Land Securities 3 lower at 224p and MEPC a similar amount down at 131p, while secondary issues to give ground included Apex, 237p, Imry, 320p, and Property and Reversionary "A," 310p, all down 5. Against the trend, buying interest revived in Carding Group, which improved 1¼ to 16½p.

Sime Darby hardened 3 to 99p in Overseas Traders where African Lakes closed 5 better at 285p and Nigerian Electricity 7 to the good at 250p.

Dealings were resumed in International Pacific Securities following news that the company was considering unitisation; the shares opened and closed at 133p, compared with the suspension price of 114p.

Textiles had occasional firm spots. David Dixon hardened 2 to 61p, while Parkland Textile A, 73p, and Tomkinsons, 57p, put on 3 and 4 respectively. Dawson International, too, were wanted and the A improved 2 to 114p.

Hulett's Corporation stood out at 112p, up 12, in firm South African Industrials.

Rubbers attracted a good business again, but often closed with little alteration. London Sumatra, at 122p, gave up 5 of Friday's jump of 29 which followed the bid from a consortium comprising Rothschild Investment Trust, McLeod Russel and the Belgian Sipef SA. Harrisons and Crosfield, a major shareholder in London Sumatra, improved 25 further to 400p. McLeod Russel, which recently lapsed its offer for Malayalam, hardened 5 more to 245p, while its affiliate, Assam Trading B were marked up 65 to 410p in sympathy.

Golds up again

South African Golds continued to push ahead as the bullion price *advanced $2.50 more to $175.625* per ounce—its highest closing level since April 3, 1975—in the wake of the fresh weakness of the U.S. dollar. Prices were additionally strengthened by the firmness of the investment currency premium, the effective rate of which hardened to 33⅞ per cent.

The Gold Mines index registered its best level since November 7 last year rising 5.4 more to 153.2 for a 10.1 improvement over the past three trading days.

Heavyweights rose by up to ⅞ as in Randfontein, at a 1977-78 high of £23, while West Driefontein put on ⅜ at £18¼, and Vaal Reefs advanced a half-point at £12, the last named also being helped by favourable Press comment.

Libanon, 14 higher at 484p, and Western Areas, 11 firmer at 225p, also reflected Press mention, while features among marginal issues included East Daggafontein, which closed 4½ better at 23½p and Wit. Nigel, 3 harder at 48p.

Platinums enjoyed another good day. Encouraged by the fresh rise in the free market metal price Rustenburg gained 3 more to 88p and Bishopsgate closed a penny harder at 80p. Lydenburg, which have hardly moved during the recent advance in the section, rose 6 to 65p.

South African-registered Financials were equally firm in line with the current strength of Golds and Platinums. "Johnnies" were outstanding with a £1⅝ advance to £12⅞ reflecting the company's substantial holding in Rustenburg. Premium influences lifted Malaysian-domiciled Tins but the Cornish producers tended to weaken following the further decline in the metal price.

FINANCIAL TIMES STOCK INDICES

—	Jan. 23	Jan. 20	Jan. 19	Jan. 18	Jan. 17	Jan. 16	A year ago
Government Secs.	77.00	77.23	77.36	77.00	76.74	77.48	64.42
Fixed Interest	80.85	80.92	80.97	80.83	80.58	80.71	64.94
Industrial Ordinary	486.6	487.6	486.0	476.3	470.9	474.2	377.8
Gold Mines	153.2	147.8	147.5	143.1	143.9	143.4	105.2
Ord. Div. Yield	5.54	5.53	5.56	5.65	5.71	5.67	5.96
Earnings Y'ld%(full)(*)	16.90	16.84	16.89	17.19	17.37	17.24	18.39
P/E Ratio (net) (*†)	8.39	8.42	8.39	8.25	8.16	8.22	7.80
Dealings marked	5,404	5,224	6,031	5,128	6,194	6,474	7,339
Equity turnover £m.	—	88.01	95.56	64.94	68.51	62.93	64.05
Equity bargains total	—	16,004	15,085	13,298	13,225	17,950	15,432

10 a.m. 487.5. 11 a.m. 487.7. Noon 487.8. 1 p.m. 487.7.
2 p.m. 487.7. 3 p.m. 487.4
Latest Index 01-246 8026.
* Based on 38 per cent. corporation tax. † Nil=8.33.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec 1942.

HIGHS AND LOWS

—	1977/78 High	1977/78 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	79.85 (30/9)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1/78)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	549.2 (14/9)	357.6 (12/1)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	174.6 (18/10)	95.1 (1/2)	442.5 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Jan. 23	Jan. 20
—Daily		
Gilt-Edged	190.1	193.1
Industries	182.6	171.7
Speculative	51.7	42.5
Totals	123.0	118.9
5-day Av'rage		
Gilt-Edged	201.6	213.5
Industrials	182.9	191.2
Speculative	44.6	42.5
Totals	122.8	127.7

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan. 24	Feb. 6	Apr. 27	May 10
Feb. 7	Feb. 20	May 11	May 23
Feb. 21	Mar. 6	May 25	Jun. 7

For rate indications see end of Share Information Service

Calls were dealt in Allied Colloids, Duple International, Oil Exploration, NatWest Warrants, Town and City, Liden, Manganese Bronze, Armour Trust, Ladbroke, United Scientific, Camford Engineering, Talbex, Campari, Highland Distilleries, Bath and Portland, Brittains, BSG International, Dunlop, Capital and Counties Properties, Davenports' Brewery, Barker and Dobson, Kwik-Fit, Southern Constructions, Frank Gates, Consolidated Gold Fields, British Land, Ratners and Tricoville. A put was taken out in Electronic Machine, while doubles were arranged in Town and City and BSG International.

NEW HIGHS AND LOWS FOR 1977/78

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977-78.

NEW HIGHS (112)

CORPORATION LOANS (1)
BEERS (2)
BUILDINGS (8)
CHEMICALS (1)
DRAPERY AND STORES (11)
ELECTRICALS (2)
ENGINEERING (19)
HOTELS (4)
INDUSTRIALS (23)
MOTORS (19)
NEWSPAPERS (4)
PAPER AND PRINTING (3)
PROPERTY (4)
SHIPBUILDERS (1)
SHOES (1)
TEXTILES (6)
TRUSTS (2)
OVERSEAS TRADERS (1)
RUBBERS (3)
TEAS (1)
MINES (5)

NEW LOW (1)
NEW LOWS (1)

TRUSTS (1)
Lampa Secs.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	—	63	11
Corpns., Dom. and Foreign Bonds	8	6	52
Industrials	436	253	890
Financial and Prop.	92	135	292
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RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1977/8 High	1977/8 Low	Stock	Closing Price p	+ or –	Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	F.P.	—	470	362	ELGO (Ro.20)	455	+5	F2s	[illegible]	3.6	—
104	F.P.	20/1	125	109	Farnc (W.)	125	[illegible]	[illegible]	[illegible]	[illegible]	7.8
52	F.P.	27/1	60½	55	I.M.I.	60½	+½	[illegible]	[illegible]	8.3	7.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1977/8 High	1977/8 Low	Stock	Closing Price £	+ or –
£100	[illegible]	—	100¼	[illegible]	Agric. Mort. Variable 1983	100½	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
£99	[illegible]	3/3	61¼	57½	Grampian Reg. 12% 1985	61	.....
£100	F.P.	—	[illegible]	[illegible]	Hounslow Variable 1983	98½	.....
£100	F.P.	—	[illegible]	[illegible]	Inter. 5¼% Notes 1984	$96¼	.....
£100	F.P.	—	[illegible]	[illegible]	Do. 5¾% Deb. 1992	$96¼	.....
£100	£10	24/3	15⅜	11¼	Kensington & Chelsea 11⅞% 1987	14⅛	.....
£100	F.P.	—	100½	[illegible]	Do. Do. Variable '82	100⅛	.....
£100	—	—	100	99½	Leeds Variable 1982	100	.....
£100	F.P.	—	100	100⅛	Leicester Variable 1982	100	.....
£99	F.P.	3/3	101½	100½	Mid Kent Water 7% 1982	101½	.....
£98½	F.P.	3/2	102½	98	St. Helens 11⅞% Red. 1986	102¼	.....
—	F.P.	—	[illegible]	[illegible]	Shell Intl. Fin. N.V. 8¼% Guar. Notes 1990	$96⅜	.....
—	F.P.	27/1	104½	99p	Stag Furniture 10% Cum. Pref.	104½	.....
£99½	F.P.	—	100½	100½	Tameside Variable 1983	100½	.....
£99½	£10	28/2	10⅝	10¼	Do. 10⅞% Red. '84-5	10⅝	.....
—	F.P.	6/1	10½	105p	York Trailer 10% Pref.	106	.....

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date		1977/8 High	1977/8 Low	Stock	Closing Price p	+ or –
95	nil	31/1	24/2	36pm	25pm	Arlington Motor	26pm	.....
29	F.P.	16/12	27/1	39	32½	[illegible]	37	–1
50	F.P.	6/1	10/3	79	[illegible]	Cakebread	79	+3
32	F.P.	23/1	27/2	51	32	Christy Bros	46	.....
180	nil	24/2	10/3	52½pm	36pm	Comm. Bank of Australia	42pm	.....
190	nil	13/1	10/2	25pm	15pm	Elbar Industrial	18pm	.....
12½	F.P.	24/1	6/2	13	12⅝	Johnson & Barnes	12½	–¼
50	F.P.	29/12	27/1	65	[illegible]	Johnson Firth Brown	65	.....
62	F.P.	6/1	10/2	82	71	Kennedy Motor	82	+1
10	nil	1/2	—	31pm	26pm	L.R.C. International	31pm	.....
158	nil	26/1	9/3	30pm	25pm	Moorhead	28pm	–1
A$1.75	nil	17/2	3/3	50pm	45pm	National Bk. of Australasia	47pm	–1
84	nil	—	—	10pm	9pm	Neill (Jas.)	9pm	.....
[illegible]	F.P.	23/12	18/1	[illegible]	[illegible]	[illegible]	32	.....
56	nil	—	—	22pm	16pm	Preedy (Alfred)	22pm	+2
32	F.P.	18/1	3/3	40	34½	R.C.F.	40	.....
72	F.P.	16/12	7/1	[illegible]	[illegible]	[illegible]	86	+2
10	F.P.	19/12	16/2	15	11	Sturla (Geo.)	14	–1
165	F.P.	12/12	18/1	[illegible]	[illegible]	Utd. Scientific	288	.....
50	F.P.	5/1	27/1	[illegible]	[illegible]	Williams of Cardiff	42	.....

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend; cover based on previous year's earnings. *F* Dividend and yield based on prospectus or other official estimates for 1979. *q* Gross. † Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. *pt* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of Ordinary shares as a "rights." ** Rights by way of capitalisation. †† Minimum tender price. ‡‡ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. ☐ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977-78 high	1977-78 low
Oil Exploration	10p	12	232	– 8	326	78
BP	£1	11	804	– 6	966	776
BATs Deferred	25p	10	233	– 2	260	202
GEC	25p	9	274	+ 1	284	163
[illegible]	25p	8	61½	+ ½	63	22
Cons. Gold Fields	25p	7	204	+ 2	234	137
Courtaulds	25p	7	124	– 1	135	89
Distillers	50p	7	191	—	193	120
Grand Met.	50p	7	106	– 2½	130	62
ICI	£1	7	346	– 1	446	325
Reed Intl.	£1	7	142	– 3	233	115
Shell Transport	25p	7	512	– 5	635	454
Talbex	5p	7	23¾	+ 1	23¾	6
Tate & Lyle	£1	7	206	– 6	272	185
Barclays Bank	£1	6	350	+ 2	350	228

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon., Jan. 23, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Fri. Jan. 20 Index No.	Thurs. Jan. 19 Index No.	Wed. Jan. 18 Index No.	Tues. Jan. 17 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (170)	213.22	+0.2	16.60	5.45	8.51	212.82	211.36	207.00	205.53	144.55
2	Building Materials (27)	194.89	+0.4	15.75	5.43	9.07	194.07	192.08	189.29	188.34	124.79
3	Contracting, Construction (26)	344.02	+0.4	16.86	3.68	8.63	342.70	336.22	331.17	330.74	192.89
4	Electricals (15)	461.79	+0.3	14.44	3.82	9.97	460.42	460.25	444.44	439.36	284.52
5	Engineering Contractors (13)	301.14	–0.1	19.48	6.22	7.03	301.36	299.48	293.61	290.95	184.80
6	Mechanical Engineering (72)	167.29	—	17.43	6.15	8.18	167.24	166.38	163.28	162.00	130.14
8	Metals and Metal Forming (17)	164.29	–0.1	19.17	8.32	6.90	164.41	162.79	161.15	160.55	125.48
	CONSUMER GOODS										
11	(DURABLE) (53)	195.36	+0.1	17.20	4.75	8.49	195.16	192.98	191.22	188.06	129.33
12	Lt. Electronics, Radio TV (15)	235.50	+0.2	15.16	3.52	9.53	235.08	232.38	229.83	223.93	145.43
13	Household Goods (12)	178.51	–0.2	17.46	6.58	7.83	178.91	178.28	178.56	179.24	137.22
14	Motors and Distributors (26)	118.65	—	20.38	6.27	7.35	118.65	117.10	116.07	115.25	83.84
	CONSUMER GOODS										
21	(NON-DURABLE) (176)	201.48	–0.1	15.33	5.66	9.44	201.77	200.28	196.62	195.51	144.44
22	Breweries (14)	222.50	–0.8	14.81	5.95	10.24	224.22	222.34	215.68	215.72	155.21
23	Wines and Spirits (6)	247.58	–0.4	16.46	5.58	9.11	248.67	248.31	237.16	236.11	163.63
24	Entertainment, Catering (18)	263.84	–0.4	13.61	6.51	11.21	264.87	263.11	258.76	256.18	184.94
25	Food Manufacturing (22)	194.56	—	20.50	5.46	7.02	194.61	193.76	192.60	192.29	159.51
26	Food Retailing (16)	203.50	–0.2	13.32	4.44	10.93	203.90	201.52	196.83	196.02	139.24
32	Newspapers, Publishing (13)	339.24	–0.3	9.63	3.68	15.61	340.39	338.59	329.63	329.80	205.80
33	Packaging and Paper (15)	133.29	–0.5	19.80	8.72	7.26	133.91	133.29	131.68	130.03	97.69
34	Stores (38)	193.44	+0.3	9.84	4.09	15.97	192.89	190.48	187.44	186.35	118.43
35	Textiles (25)	178.38	–0.2	19.48	7.42	6.51	178.78	177.87	176.16	173.31	133.59
36	Tobaccos (3)	224.12	–0.2	21.56	8.04	6.18	224.63	224.24	219.09	217.55	213.35
37	Toys and Games (6)	104.75	+0.7	19.70	5.67	6.78	104.02	104.19	103.31	103.07	81.17
41	OTHER GROUPS (97)	192.99	—	16.19	5.60	8.41	192.98	191.15	188.66	188.01	153.23
42	Chemicals (20)	256.17	–0.3	19.31	6.53	7.31	256.90	255.02	249.87	249.04	214.09
43	Pharmaceutical Products (7)	255.77	+0.1	10.76	3.87	11.92	255.59	253.21	249.18	248.87	0.00
44	Office Equipment (6)	134.67	+1.5	17.10	4.28	7.72	132.63	132.88	132.35	131.44	88.48
45	Shipping (10)	481.92	—	20.43	6.08	5.80	481.79	481.36	478.60	472.74	416.52
46	Miscellaneous (54)	205.19	–0.1	15.31	5.97	9.26	205.33	201.95	200.52	200.10	151.44
49	INDUSTRIAL GROUP (496)	208.63	—	15.99	5.53	8.86	208.64	206.97	203.47	202.20	150.91
51	Oils (4)	454.76	–0.6	15.31	4.31	7.94	457.55	456.99	455.81	452.40	437.06
59	500 SHARE INDEX	229.36	–0.1	15.89	5.35	8.72	229.58	227.96	224.59	223.15	173.85
61	FINANCIAL GROUP (100)	175.87	–0.2	—	4.98	—	176.24	174.47	172.87	170.87	127.15
62	Banks (6)	204.36	+0.4	24.11	4.99	6.33	203.60	201.55	200.93	197.15	154.12
63	Discount Houses (10)	225.35	+0.1	—	7.33	—	225.15	222.64	219.52	217.23	170.92
64	Hire Purchase (5)	169.32	–0.5	10.94	4.63	13.53	170.22	167.76	166.50	166.50	106.61
65	Insurance (Life) (10)	145.42	–0.5	—	5.70	—	146.21	145.38	142.25	141.85	105.81
66	Insurance (Composite) (7)	137.98	–0.1	—	5.83	—	138.14	137.96	136.13	133.82	101.79
67	Insurance Brokers (10)	321.61	–0.8	13.20	4.25	11.10	324.34	321.33	319.68	318.76	231.42
68	Merchant Banks (14)	84.36	+0.5	—	5.55	—	83.94	82.96	82.88	82.84	64.64
69	Property (31)	252.57	–1.1	2.75	2.71	68.04	255.29	248.54	246.40	245.19	162.84
70	Miscellaneous (7)	109.98	+0.3	23.19	7.17	6.04	109.64	109.14	108.31	108.56	75.61
71	Investment Trusts (50)	190.93	–0.2	3.24	4.82	30.82	191.35	190.32	189.31	189.13	158.14
81	Mining Finance (4)	94.85	–0.3	16.44	6.18	7.08	95.09	94.01	91.20	90.55	91.47
91	*Overseas Traders (19)*	287.33	+0.9	16.78	6.66	7.56	284.65	280.18	275.56	276.01	229.34
99	ALL-SHARE INDEX (673)	213.59	–0.1	—	5.30	—	213.81	212.15	209.24	207.79	162.09

FIXED INTEREST PRICE INDICES

	British Government	Mon. Jan. 23	Day's change %	xd adj. To-day	xd adj. 1977 to date
1	Under 5 years	109.37	–0.05	—	0.11
2	5-15 years	125.24	–0.08	—	0.96
3	Over 15 years	131.56	–0.21	0.55	1.11
4	Irredeemables	146.77	–0.16	—	1.94
5	All stocks	120.66	–0.16	0.20	0.85

FIXED INTEREST YIELDS

	Br. Govt. Av. Gross Red.		Mon. Jan. 23	Fri. Jan. 20	Year ago (approx.)
1	Low Coupons	5 years	7.44	7.39	8.83
2		15 years	9.54	9.50	11.87
3		25 years	10.12	10.08	12.89
4	Medium Coupons	5 years	9.66	9.62	11.92
5		15 years	10.58	10.53	12.82
6		25 years	11.38	11.32	13.33
7	High Coupons	5 years	10.17	10.13	12.58
8		15 years	11.44	11.40	13.86
9		25 years	11.50	11.46	14.10
10	Irredeemables		11.26	11.26	14.25

		Monday, Jan. 23 Index No.	Monday, Jan. 23 Yield %	Friday Jan. 20	Thurs. Jan. 19	Wed. Jan. 18	Tues. Jan. 17	Monday Jan. 16	Friday Jan. 13	Thurs. Jan. 12	Year ago (approx.)
15	20-yr. Red. Deb. & Loans (15)	63.67	11.86	63.26	63.22	63.28	63.28	63.15	65.14	65.19	50.02
16	Investment Trust Prefs. (15)	57.87	12.94	57.87	57.57	57.57	57.58	57.47	57.43	57.58	48.27
17	Coml. and Indl. Prefs. (20)	78.55	11.48	78.55	78.46	78.56	78.45	78.51	78.50	78.34	68.68

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 13p, by post 22p.

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G.T. Cap Inc	83.4	88.7	.....	3.60
Do Acc	96.7	105.0	.....	3.60
G.T. Inc Fd Un.	166.3	177.4	.....	7.90
G.T. U.S. & Gen	129.4	137.6	.....	2.20
G.T. Japan & Gen	218.9	232.8	.....	1.10
¶G. Pens.Ex.Fd.	127.2	133.5	.....	3.80
G.T. Int'l. Fund	106.6	113.3	.....	2.40
G.T. Four Yd.Fd.	54.1	57.5	.....	7.80

¶G. & A. Trust (a) (g)
5, Rayleigh Rd., Brentwood (0277) 227300

G. & A.	31.8	33.9	+0.2	4.57

Gartmore Fund Managers ¶ (a)(g) · Gibbs (Antony) Unit Tsts. Ltd. · Govett (John)¶ · Grieveson Management Co. Ltd. · Guardian Royal Ex. Unit Mgrs. Ltd. · Henderson Administration(a)(c) · Hill Samuel Unit Tst. Mgrs.† (a) · Intel.¶ (a)(g) · Key Fund Managers Ltd. (a)(g) · Kleinwort Benson Unit Managers¶ · L & C Unit Trust Management Ltd.¶ · Lawson Secs. Ltd. ¶(a)(c) · Legal & General Tyndall Fund¶ · Leonine Administration Ltd. · Lloyds Bk. Unit Tst. Mngrs. Ltd.¶ (a) · Lloyd's Life Unit Tst. Mngrs. Ltd. · M & G Group¶ (y)(c)(z) · ManuLife Management Ltd. · Mayflower Management Co. Ltd. · Mercury Fund Managers Ltd. · Midland Bank Group Unit Trust Managers Ltd.¶ (a) · Minster Fund Managers Ltd. · MLA Unit Trust Mgemnt. Ltd. · Mutual Unit Trust Managers¶ (a)(g) · National and Commercial · National Provident Inv. Mngrs. Ltd.¶ · National Westminster¶(a) · NEL Trust Managers Ltd.¶ (a)(g) · Norwich Union Insurance Group (b) · Pearl Trust Managers Ltd. (a)(g)(z) · Pelican Units Admin. Ltd. (g)(x)

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CLIVE INVESTMENTS LIMITED

Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101
Index Guide as at 11th January, 1978 (Base 100 at 14.1.77.)

Clive Fixed Interest Capital	134.97
Clive Fixed Interest Income	127.53

CORAL INDEX: Close 484-489 486-491 N/T

INSURANCE BASE RATES

† Property Growth	8½%
Cannon Assurance	4½%

† Address shown under Insurance and Property Bond Table.

BASE LENDING RATES

A.B.N. Bank	6½%	■ Hill Samuel	§ 6½%
Allied Irish Banks Ltd.	6½%	C. Hoare & Co.	† 6½%
American Express Bk.	6½%	Julian S. Hodge	7½%
Amro Bank	6½%	Hongkong & Shanghai	6½%
A P Bank Ltd.	6½%	Industrial Bk. of Scot.	7 %
Henry Ansbacher	6½%	Keyser Ullmann	6½%
Banco de Bilbao	6½%	Knowsley & Co. Ltd.	9 %
Bank of Credit & Cmce.‖	6½%	Lloyds Bank	6½%
Bank of Cyprus	6½%	London & European	8½%
Bank of N.S.W.	6½%	London Mercantile	6½%
Banque Belge Ltd.	6½%	Midland Bank	6½%
Banque du Rhone	7 %	■ Samuel Montagu	6½%
Barclays Bank	6½%	■ Morgan Grenfell	6½%
Barnett Christie Ltd.	8½%	National Westminster	6½%
Bremar Holdings Ltd.	7½%	Norwich General Trust	6½%
Brit. Bank of Mid. East	6½%	P. S. Refson & Co.	6½%
Brown Shipley	6½%	Rossminster Accept'cs	6½%
Canada Permanent AFI	6½%	Royal Bk Canada Trust	6½%
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	7 %
Cayzer Ltd	7 %	E. S. Schwab	8½%
Cedar Holdings	8 %	Security Trust Co. Ltd.	7½%
Charterhouse Japhet	6½%	Shenley Trust	9½%
E. Coates	7½%	Standard Chartered	6½%
Consolidated Credits	7½%	Trade Dev. Bank	6½%
Co-operative Bank *	6½%	Trustee Savings Bank	6½%
Corinthian Securities	6½%	Twentieth Century Bk.	7½%
Credit Lyonnais	6½%	United Bank of Kuwait	6½%
The Cyprus Popular Bk.	6½%	Whiteaway Laidlaw	7 %
Duncan Lawrie	§ 6½%	Williams & Glyn's	6½%
Eagil Trust	6½%	Yorkshire Bank	6½%
English Transcont.	8 %		
First London Secs.	6½%		
First Nat. Fin. Corpn.	9 %		
First Nat. Secs Ltd.	8 %		
Antony Gibbs	6½%		
Guide Durrant Trust	7½%		
Greyhound Guaranty	6½%		
Grindlays Bank	‡ 6½%		
Guinness Mahon	6½%		
Hambros Bank	6½%		

■ Members of the Accepting Houses Committee
* 7-day deposits 3%, 1-month deposits 3½%.
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4½%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 4%.
‖ Rate also applies to Sterling Ind. Secs.
¶ 7-day deposits 3½%. Rates for Term Deposits over £1,000 negotiable.

OFFSHORE AND OVERSEAS FUNDS

Arbuthnot Securities (C.I.) Limited · Australian Selection Fund NV · Banque Bruxelles Lambert · Bk. of London & S. America Ltd. · Barclays Unicorn Int. (Ch. Is.) Ltd. · Barclays Unicorn Int. (I. O. Man) Ltd. · Bishopsgate Commodity Ser. Ltd. · Bridge Management Ltd. · Britannia Tst. Mngmt. (CI) Ltd. · Butterfield Management Co. Ltd. · Capital International S.A. · Charterhouse Japhet · Cornhill Ins. (Guernsey) Ltd. · Delta Group · Deutscher Investment-Trust · Dreyfus Intercontinental Inv. Fd. · Emson & Dudley Tst.Mgt.Jrsy.Ltd. · F. & C. Mgmt. Ltd. Inv. Advisers · Fidelity Mgmt. & Res. (Bda.) Ltd. · First Viking Commodity Trusts · Fleming Japan Fund S.A. · Free World Fund Ltd. · G.T. Management Ltd. Ldn. Agts. · G.T. Mgt. (Asia) Ltd. · G.T. Management (Jersey) Ltd. · Gartmore Invest. Ltd. Ldn. Agts. · Hambro Pacific Fund Mgmt. Ltd. · Hambros (Guernsey) Ltd./Hambro Fund Mgrs. (C.I.) Ltd. · Henderson Baring Fund Mgrs. Ltd. · Hill-Samuel & Co. (Guernsey) Ltd. · Hill Samuel Overseas Fund S.A. · International Pacific Inv. Mngt. Ltd. · J.E.T. Managers (Jersey) Ltd. · Jardine Fleming & Co. Ltd. · Kemp-Gee Management Jersey Ltd. · Keyselex Mngt. Jersey Ltd. · King & Shaxson Mgrs. · Kleinwort Benson Limited · Lloyds Bk. (C.I.) U/T Mgrs. · Lloyds International Mgmnt. S.A. · M & G Group · Samuel Montagu Ldn. Agts. · Murray, Johnstone (Inv. Adviser) · Negit S.A. · Negit Ltd. · Old Court Fund Mngrs. Ltd. · Old Court Commodity Fd. Mgrs. Ltd. · Phoenix International · Property Growth Overseas Ltd. · Royal Trust (CI) Fd. Mgt. Ltd. · Save & Prosper International · Schlesinger International Mngt. Ltd. · Schroder Life Group · J. Henry Schroder Wagg & Co. Ltd. · Singer & Friedlander Ldn. Agents · Surinvest (Jersey) Ltd. (x) · Surinvest Trust Managers Ltd. (x) · TSB Unit Trust Managers (C.I.) Ltd. · Tokyo Pacific Holdings N.V. · Tokyo Pacific Hldgs. (Seaboard) N.V. · Tyndall Group · Utd. Intnl. Mngmnt. (C.I.) Ltd. · United States Tst. Intl. Adv. Co. · S. G. Warburg & Co. Ltd. · Warburg Invest. Mngt. Jrsy. Ltd. · World Wide Growth Management¶

INSURANCE, PROPERTY, BONDS

Abbey Life Assurance Co. Ltd. · Albany Life Assurance Co. Ltd. · AMEV Life Assurance Ltd.¶ · Arrow Life Assurance · Barclays Life Assur. Co. Ltd. · Beehive Life Assur. Co. Ltd.¶ · Canada Life Assurance Co. · Cannon Assurance Ltd.¶ · Capital Life Assurance¶ · Charterhouse Magna Gp.¶ · City of Westminster Assur. Soc. Ltd. · City of Westminster Assur. Co. Ltd. · Commercial Union Group · Confederation Life Insurance Co. · Cornhill Insurance Co. Ltd. · Credit & Commerce Insurance · Crusader Insurance Co. Ltd. · Eagle Star Insur/Midland Ass. · Equity & Law Life Ass. Soc. Ltd.¶ · General Portfolio Life Ins. C. Ltd.¶ · Gresham Life Ass. Soc. Ltd. · Growth & Sec. Life Ass. Soc. Ltd.¶ · Guardian Royal Exchange · Hambro Life Assurance Limited¶ · Hearts of Oak Benefit Society · Hill Samuel Life Assur. Ltd.¶ · Imperial Life Ass. Co. of Canada · Irish Life Assurance Co. Ltd. · King & Shaxson Ltd. · Langham Life Assurance Co. Ltd. · Legal & General (Unit Assur.) Ltd. · Legal & General Prop. Fd. Mgrs. Ltd. · Life Assur. Co. of Pennsylvania · Lloyds Bk. Unit Tst. Mngrs. Ltd. · London Indemnity & Gnl. Ins. Co. Ltd. · The London & Manchester Ass. Gp.¶ · M & G Group¶ · Merchant Investors Assurance¶ · NEL Pensions Ltd. · New Court Property Fund Mngrs. Ltd. · NPI Pensions Management Ltd. · Norwich Union Insurance Group · Pearl Assurance (Unit Fds.) Ltd. · Phoenix Assurance Co. Ltd. · Prop. Equity & Life Ass. Co.¶ · Property Growth Assur. Co. Ltd.¶ · Provincial Life Assurance Co. Ltd. · Prudential Pensions Limited¶ · Reliance Mutual · Royal Insurance Group · Save & Prosper Group¶ · Schroder Life Group¶ · Scottish Widows' Group · Solar Life Assurance Limited · Sun Alliance Fund Mangmt. Ltd. · Sun Alliance Linked Life Ins. Ltd. · Sun Life of Canada (U.K.) Ltd. · Target Life Assurance Co. Ltd. · Transinternational Life Ins. Co. Ltd. · Trident Life Assurance Co. Ltd.¶ · Tyndall Assurance/Pensions¶ · Vanbrugh Life Assurance¶ · Welfare Insurance Co. Ltd.¶ · Windsor Life Assur. Co. Ltd.

NOTES

Prices do not include $ premium, except where indicated ¶, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Net of tax on realised capital gains unless indicated by §. § Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1977-78 High	Low	Stock	£	+ or −	Yield Int.	Yield Red.
101 13/16	95⅝	Treasury 8pc 1978‡‡	100 3/16	.....	8.95	5.77
104 1/16	97⅞	Treasury 10½pc '78‡‡	102½	.....	10.24	5.11
100⅛	90 11/16	Exch. 5pc '76-78‡‡	99 5/16	.....	5.02	5.65
107	95 [illegible]	Treasury 11½pc '79‡‡	104¼	.....	10.98	7.04
97¾	84 [illegible]	Treasury 3pc '79‡‡	95 [illegible]	−1/16	3.15	6.11
98¾	85⅛	Electric 4¼pc '74-79	96 [illegible]	.....	4.42	6.65
106 [illegible]	92	Treasury 10½pc '79‡‡	104	−1/16	10.09	7.97
97⅞	84⅞	Electric 3½pc '76-79	95⅞	−⅛	3.67	6.24
107	87¼	Treasury 9pc 1980‡‡	101 11/16	.....	8.85	8.12
105⅝	88⅜	Treasury 9½pc '80‡‡	102¼	−1/16	9.29	8.40
96	82⅞	Treasury 3½pc '77-80	94½	−⅛	3.72	6.18
98¼	83 [illegible]	Funding 5¼pc '78-80‡‡	95¼	−⅛	5.51	7.45
112 [illegible]	96 [illegible]	Exchequer 13pc 1980‡‡	108 15/16	−⅛	11.93	9.32
108 [illegible]	92 [illegible]	Treasury 11½pc 1981‡‡	105 [illegible]	−1/16	10.92	9.41
94⅝	77⅞	Treasury 3¼pc 1979-81	91¼xd	−⅛	3.84	6.71
104	86 [illegible]	Treasury 9¾pc 1981‡‡	100 11/16	−⅛	9.68	9.48
97 [illegible]	96⅛	Exch. 8¼pc 1981	96⅝	−3/16	8.54	9.43
103½	97½	Exch. 9¾pc 1981	99 15/16xd	−1/16	9.51	9.54
92⅞	87 [illegible]	Exch. 3pc 1981	87¾xd	.....	3.42	6.94
93¾	96⅛	Treas. Variable '81‡‡	96⅝	.....	6.56	7.42
113 [illegible]	96¼	Exch. 12¾pc 1981‡‡	109½	−3/16	11.64	9.70
100⅝	82⅞	Treas. 8½pc '80-82‡‡	97⅞	−⅛	8.69	9.15
93⅛	71⅝	Treasury 3pc '82‡‡	85⅜xd	.....	3.51	7.22
119 [illegible]	101⅝	Treasury 14pc '82‡‡	114 [illegible]	−1/16	12.27	9.79
98½	95¾	Treas. Variable '82‡‡	95 [illegible]	.....	6.59	7.42
98⅝	93⅝	Treasury 8¼pc '82	95⅝	−1/16	8.63	9.48
102⅛	93⅝	Exch. 9¼pc 1982	98 11/16	−1/16	9.37	9.60

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

AMERICANS—Continued

[illegible]

S.E. List Premium 33¾% (based on $US1.9402 per £)

Conversion factor 0.7455 (0.7556)

CANADIANS

[illegible]

S.E. List Premium 33¾% (based on $2.1451 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INSURANCE

هكذا من الأصل

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
195	70	Falcon Rh.50c	185	......	Q50c	1.3	25.2
22	9	Rhod'n Corp. 16½p.	21	......	0.57	4.3	4.1
165	52	Roan Cons. K4	55	......	—	—	—
164	115	Tanganyika 50p	135	......	Q11.0	1.1	8.2
80	70	Do. Pref. 80p	78	......	Q9%	16.4	9.2
42	27	Wankie Col. Rh.1	38	......	Q7½c	1.4	16.8
27½	11½	Zam.Cpr SBD0.24	11½	......	—	—	—

AUSTRALIAN

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
20	10	Acmex 25c	12	......	—	—	—
127	57	Bougainville 50 Toea	70	+1	Q10c	1.5	9.1
128	69	BH South 50c	77	+3	—	—	—
325	119	Conzinc Riotinto 50c	172	+2	Q9c	2.3	3.2
65	18	G.M. Kalgoorlie $1	58	......	—	—	—
112	77	Hamptn Areas 5p	87	......	1.45	4.1	2.5
35	10	Metals Ex. 50c	14	......	—	—	—
242	125	M.I.M. Hldgs. 50c	135	—1	Q9c	1.7	4.1
105	10	Mount Lyell 25c	21	+1	—	—	—
2¾	1	Newmetal 10c	2	......	—	—	—
120	79	North B. Hill 50c	90	+2	Q8c	1.5	5.5
12	4½	Nth. Kalgurli	9	......	—	—	—
144	87	Oakbridge SA1	135	—1	Q11c	1.9	5.1
55	20	Pacific Copper	34	—2	—	—	—
£13	575	Pancont'l 25c	875	......	—	—	—
19	8	Paringa M&Ex.5p	13	—½	—	—	—
555	345	Peko-Wallsend 50c.	412	—3	Q15c	4.0	2.3
—	—	Poseidon 20c	75#	......	—	—	—
12	6	Vultan Min. 50c	11	......	—	—	—
164	87	Westn. Mining 50c	93	......	Q6c	1.4	4.0
75	40	Whim Creek 20c	45	......	—	—	—

TINS

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
39	18	Amal. Nigeria	30	......	2.51	1.6	12.7
395	240	Ayer Hitam SM1	260	+5	Q41.7c	0.9	34.4
57	25	Beralt Tin	48	+2	3.75	2.3	11.8
260	155	Berjuntai SM1	210	......	‡Q60c	ϕ	‡
570	260	Geevor	460xd	—10	†18.15	3.4	6.0
13	8	Gold & Base 12½p	10	......	—	—	—
325	190	Gopeng Cons.	250	......	13.2	1.9	7.8
140	72	Hongkong	140	......	—	—	—
100	60	Idris 10p	93	......	9.14	1.0	15.6
10½	7	Jantar 12½p	10	......	—	ϕ	—
85	30	Kamunting SM0.50	69	......	ZQ15.5c	0.7	4.8
490	260	Killinghall	450	......	Q125	ϕ	27.8
410	217	Malay Dredging SM1	290	+5	Q95.5c	ϕ	7.1
46	40	♦Pahang	46	......	†Q2.5	0.5	5.4
70	50	Pengkalen 10p	58	......	5.58	1.3	14.6
215	133	Petaling SM1	175	......	mQ12½c	10.9	1.5
90	35	Saint Piran	57	—2	g1.99	ϕ	5.3
73	55	South Crofty 10p	58	—1	b4.12	1.5	10.8
210	77	South Kinta SM0.50	155	+10	tQ77.8c	1.4	10.8
305	148	Sthn Malayan SM1	260	+15	tQ131.3c	1.1	10.8
160	57	Sungei Besi SM1	144	......	—	—	—
*60	19	Supreme Corp. SM1	60	......	ZQ10c	—	3.6
102	42	Tanjong 15p	100	......	6.25	ϕ	9.9
95	45	Tongkah Hrbr. SM1	74	......	Q56.82%	1.6	16.5
203	93	Tronoh SM1	162	......	ZQ30c	2.8	4.8

COPPER

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
198	84	Messina R0.50	90	......	Q30c	1.9	19.9

MISCELLANEOUS

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
9½	9	Burma Mines 17½p.	9	......	—	—	—
115	58	Colby Mines $C1	80	......	—	—	—
600	225	Cons. Murch. 10c	300	+20	Q30c	ϕ	‡
475	250	Northgate C$1	265	—5	—	—	—
247	173	R.T.Z.	186	—3	t8.5	q3.1	6.9
70	28½	Sabina Inds. C$1	34	......	—	—	—
£14¾	818	Tara Exptn. $1	825	—12	—	—	—
55	39	Tehidy Minerals 10p	45	......	1.21	2.5	4.1
160	121	Yukon Cons. C$1	127	......	Q7c	ϕ	3.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ‡ Regional price.
- ‖ No par value

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1975. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 38

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	......
Ash Spinning	41	......
Bertam	19	......
Bdg'wtr. Est. 50p	285	......
Clover Croft	23	......
Craig & Rose £1	390	......
Dyson (R.A.)	35	......
Ellis & McHdy	68	......
Evans Fr'k. 10p	60	+1
Evered	17	......
Fife Forge	47	......
Finlay Pkg. 5p	20½	......
Graig Ship. £1	240	......
Higsons Brew	83xc	+3
I.O.M. Stm. £1	140	......
Holt (Jos.) 25p	245	+1
N'thn. Goldsmith	52xc	......
Pearce (C. H.)	129	+1
Peel Mills	17	......
Sheffield Brick	48	+1
Sheff. Refrshmt.	50	......
Shiloh Spinn	19	......
Sindall (Wm.)	85	......

IRISH

Conv. 9% '80/82.	£97¾	......
Alliance Gas	70	......
Arnott	320	......
Carroll (P.J.)	107	......
Clondalkin	85	+2
Concrete Prods.	121xd	......
Heiton (Hldgs.)	51	......
Ins. Corp.	175	......
Irish Ropes	130	......
Jacob	64	......
Sunbeam	27	......
T.M.G.	180	+3
Unidare	70	......

OPTIONS
3-month Call Rates

Industrials	
A. Brew	6½
A.P. Cement	18
B.S.R.	11
Babcock	10
Barclays Bank	25
Beecham	38
Boots Drug	15
Bowaters.	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	9
Cadburys	5
Courtaulds	10
Debenhams	10
Distillers	13
Dunlop	8½
Eagle Star	11
E.M.I.	18
Gen. Accident	17
Gen. Electric	16
Glaxo	40
Grand Met.	9
G.U.S. 'A'	18
Guardian	18
G.K.N.	22
Hawker Sidd.	60
House of Fraser	12
I.C.I.	25
"Imps"	7
I.C.L.	20
Inveresk	7
KCA	5
Ladbroke	17
Legal & Gen.	14
Lex Service	6
Lloyds Bank	22
"Lofs"	5
London Brick.	5
Lonrho	7
Lucas Inds.	25
Lyons (J.)	13
"Mams"	7
Mrks. & Spncr	13
Midland Bank	25
Nat. West. Bank.	22
Do. Warrants	10
P & O Dfd.	12
Plessey	9
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	18
Reyrolle	20
Spillers	4
Tesco	4
Thorn 'A'	22
Trust Houses	13
Tube Invest.	38
Unilever	40
Utd. Drapery	7½
Vickers	15
Woolworths	6
Property	
Brit. Land	3¼
Cap. Counties	5
E.P.	5
Intereuropean	5
Land Secs.	18
MEPC	12½
Peachey	10
Samuel Props.	10
Town & City	2
Oils	
Brit. Petroleum	45
Burmah Oil	7
Charterhall	3½
Shell	28
Ultramar	22
Mines	
Charter Cons.	12
Cons. Gold	20
Rio T. Zinc	16

A selection of [illegible] traded is given on the London [illegible] report page

FINANCIAL TIMES

Tuesday January 24 1978

Begin in tough line over 'anti-Semitism'

BY DAVID LENNON

TEL AVIV, Jan. 23.

ISRAEL has left the door open to resume peace negotiations. But it will send only its military delegation back to Cairo if Egypt refrains from anti-Semitic attacks on Israel, Mr. Menahem Begin, the Prime Minister, said in the Knesset to-day.

Opening a debate on his policy, Mr. Begin made it clear that Israel has no intention of offering Egypt any concessions to coax it back to the negotiating table from which the Egyptian delegation walked away last Wednesday. Instead, he reiterated his opposition to a Palestinian State and Israel's refusal to evacuate all the occupied territories.

The self-justifying speech was designed to demonstrate parliamentary support for the Prime Minister's handling of the peace negotiations. But he offered no apparent way out of the stalemate.

Mr. Begin devoted a major part of his address to quoting extensively from anti-Semitic articles in the Egyptian Press in the past few weeks. The Israeli leader went so far as to chide one Egyptian editor, Mustafa Amin, for misquoting Shakespeare in an article in which he described Mr. Begin as Shylock.

He said that the recent anti-Semitic tone in the Egyptian Press and President Sadat's ultimatums had created an atmosphere which made negotiations impossible. But he said that if Egypt would stop these attacks there would be no obstacle to the return of the military delegation to Cario.

The Prime Minister said that while in Jerusalem President Sadat had told him privately that not one Egyptian soldier would cross the strategic Mitla and Gidi passes in the Sinai after a peace agreement was reached. However, Egypt's War Minister had subsequently presented a proposal that placed Egyptian troops only 40 kilometres from the Israel border.

Mr. Begin declared that Sinai must be demilitarised and he called on President Sadat to formulate a new proposal on demilitarisation.

He also rejected Egyptian claims that Israel had agreed to dismantle Jewish settlements in the Sinai. On the contrary, he had told President Sadat the settlements were there to stay and would have to be protected by an Israeli force.

Mr. Shimon Peres, the leader of the opposition, said that the Labour Party supported Mr. Begin's criticism of recent Egyptian anti-Semitism. But he also accused the Government of creating baseless optimism during the negotiations and of making tactical mistakes.

Mr. Alfred Atherton, the U.S. Assistant Secretary of State, held talks to-day with Mr. Moshe Dayan, the Foreign Minister, and Mr. Ezer Weizman, the Defence Minister.

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Sadat move

President Sadat is to launch a major diplomatic offensive to appeal for support against Israeli "intransigence." Envoys are to visit Washington, London, Bonn, Paris, and a number of Arab and African capitals. Meanwhile, a summit of Arab-hardliners opposed to his peace initiative is to be held in Algiers some time this month, according to officials in Damascus.

July target set to complete world trade talks

Tokyo Round talks: Mr. Nobuhiko Ushiba, Japanese Minister for External Affairs (left) in Geneva with Mr. Robert Strauss, U.S. Special Trade Representative, and Herr Wilhelm Haferkamp: EEC Commission vice-president.

BY REGINALD DALE

GENEVA, Jan. 23.

THE U.S., the EEC and Japan to-day resolved to make an all-out effort to conclude the bulk of the long-running Tokyo Round of international trade talks within the next six months, leaving only technical details to be finalised later in the year.

At a meeting in Geneva to launch the final phase of the talks the three main participants agreed that the political contents of the final package should be settled by mid-July.

All admitted, however, that much hard bargaining is needed before the 93 countries attending the talks can agree on the desired liberalisation of world trade. It is hoped that the meeting will update rules governing international commercial relations for the next decade and beyond.

For the U.S., Mr. Robert Strauss, President Carter's Special Trade Representative, said there were still areas in which negotiations were "seriously lagging." These included State subsidies and countervailing duties, agriculture, the rights and obligations of developing countries, safeguards, and the management of trade disputes.

The cost would be incalculable if the talks failed, Mr. Strauss warned. "Our markets would close, unemployment would become endemic and Governments would fall," he said.

He had earlier presented the U.S. negotiating offer for the final phase of the talks, completing the tabling of offers by the three most important trading powers.

The U.S., the EEC and Japan have now all confirmed that they will aim for a 40 per cent. average cut in industrial tariffs.

However, the community firmly rejects the U.S. proposal of "no net exceptions," under which no cuts, or only limited ones, would be made on some items, with bigger cuts on others in compensation.

The EEC fears that the U.S. will use the formula to offer major cuts only on items of little export interest, while making no reductions in the areas of greatest importance to the Community.

The U.S. has already said that there will be certain "mandatory exceptions" to its offer, including oil, special steels, bearings, colour TVs and shoes.

Mr. Strauss confirmed to-day that certain textiles, watches and ceramics were also on the American exceptions list.

In the agricultural sector, the Community is offering tariff cuts and new tariffs binding on about 100 products, ranging from horse meat to bourbon whisky.

Major products like grains, dairy products and meat are being dealt with separately in negotiations for new world agreements.

Herr Wilhelm Haferkamp, EEC Commission vice-president for external relations, told the meeting the Community attached great importance to parallel progress in four main areas: selective application of safeguards, streamlined customs valuation procedures, agriculture, and acceptance by the U.S. of existing GATT rules on countervailing duties.

Mr. Nobuhiko Ushiba, Japanese Minister for External Economic Affairs, said that Japanese exceptions to the tariff cuts had been kept to the minimum and that cuts of over 40 per cent. would be applied on many products. Its exceptions included some textiles, non-ferrous metals and chemicals.

Yugoslavia expressed "deep concern" that the developing countries' interests had been neglected so far in the talks.

THE LEX COLUMN

Rank's copybook performance

For Rank Organisation, unlike the vast majority of British companies, the strength of sterling over the past year has come as a tonic to its profit and loss account. The reason, however, does not lie in its own operations — which actually were some £3m. worse off as a result chiefly of devaluations in Canada and Australia — but in the Rank Xerox associated companies which contributed £105m. to the Rank group pre-tax total in 1976-77 against £59.2m. Because of the U.S.-style FAS 8 method of accounting for currency translation adopted by RX, currency movements had a strongly negative impact in 1975-76 but added £29m. to Rank's profits share last year.

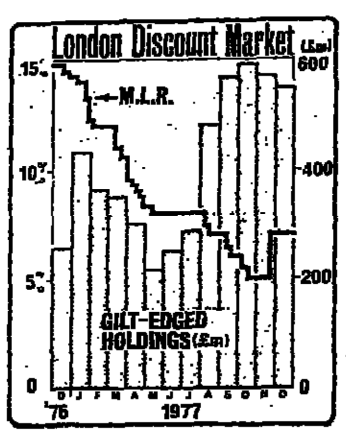
Meantime the non-Xerox activities also showed a favourable trend, though the gain was on a more modest scale from £16.4m. to £19.5m., of which £18.9m. came in the seasonally much more important second-half (which takes in Butlin's profitable months, for instance). The overall pre-tax outturn, a jump of almost two-thirds to £124.5m., is slightly ahead of City estimates — perhaps because the troubled colour TV operation Rank Radio International has managed to trim its trading loss by £2.6m. to £3.2m.

Currency upsets apart, the outlook for RX seems fair. The decision to sell machines as well as rent them has brought at least a temporary boost for profits; while the 9200 programme (at the heavy end of the range) should be swinging through breakeven to profits over the next year or so. It could be the early 1980s before IBM, Kodak and the Japanese provide really stiff competition in the bigger copier/duplicator ranges.

The outlook for the non-Xerox interests is more obscure, although Rank expresses optimism. It seems as though most of the leisure activities performed reasonably well last year, and judging by the figures for non-Xerox associates the downturn in Australia has only been modest. But big extraordinary provisions have been taken below the line, including the £8m. cost of buying out the indexed lease on the Royal Windsor Hotel in Brussels, while the cost cutting measures at RRI, though successful up to a point, hardly amount to a long term solution.

At 263p the price is much closer to the 1976 high of 276p than might be expected for a share which is inclined to move much in line with Wall Street. The price still looks soundly based, although the low tax charge and FAS 8 content of earnings make the p/e of 6.6 a little less attractive on closer inspection.

Index fell 1.0 to 486.6



U.S. Budget

The immediate reaction of the financial markets to President Carter's budget message was one of indifference. The U.S. dollar slipped lower against most European currencies before the New York Federal Reserve came to its aid, and by lunchtime the Dow Jones Industrial average was plumbing new low ground.

The foreign exchange markets, in particular, found little encouragement in the budget details—general outline of which was already known. The Administration is still no nearer securing an effective energy programme, and until it does the dollar will continue to look groggy.

So far as the corporate sector is concerned, the Budget statement projects a near 12 per cent. rise in profits before tax in 1978, and a slightly higher rate of growth in 1979. This compares with an estimated rise of just under 10 per cent. in both reported and current cost profits during the year just ended.

That seems an encouraging background, especially since the rate of inflation in the coming two years is expected to be slightly lower than that experienced in 1977, when consumer prices rose an average 6½ per cent.

However, the stock market has already chosen to ignore the likelihood that many companies will soon be reporting a strong performance in the final quarter of 1977. Boosted by a rather higher rate of inventory growth it looks as though earnings could have risen by getting on for a fifth in the latest quarter which would be nearly twice the rate of increase seen in the July-September period. But share prices may be equally irresponsive to these longer term forecasts. The profit estimate is the residual of a lot of much bigger numbers, and if some of the assumptions are only a little way out—the inflation figure, for instance—the outcome could be very different.

Alexanders Discount

Alexanders Discount is the oldest member of the London Discount market (it has been going since 1810) and one of the most conservative. Consequently, when it says 1977 was an "unprecedented" year it should be taken seriously. After transfer to inner reserves profits leapt from £264,000 to £2.1m., which is more than double the previous peak of £1.0m. in 1974. The shares closed 8p higher at 293p, where they yield 7.4 per cent.

It started the year with Minimum Lending Rate at 14¼ per cent. and by the end of December the rate had dropped to 7 per cent.—having touched 5 per cent. In common with most other houses Alexanders found the first half of the year and in particular the first quarter, to be far and away the most profitable. For much of the year it was not able to cover running profits but this was more than offset by the capital gains to be had. It increased the size of its book by well over a third and for much of the time it was trading at near its maximum level.

Alexanders increased its holdings from £35m. at the start of the year to a peak close to £70m. before closing its books with £40m. at end-December, when the average life of its book (excluding gilts) was running at between five and six months. That is fairly long for a discount house, implying a very relaxed view of movements in rates in the next few months.

Welsh lorry drivers strike threat grows

BY NICK GARNETT, LABOUR STAFF

THE POSSIBILITY of strike action by South Wales lorry drivers developed yesterday after the breakdown of local pay talks, said the Road Haulage Association.

The drivers have been seeking rises of 15 per cent.—now seen as a general target for drivers throughout Britain—but the association's local area management has refused to increase an offer it says represents 10 per cent. on gross earnings.

Drivers in Coventry who have agreed a guideline-breaching 15 per cent. deal are still looking for improvements in holiday pay and have warned the association that they are also preparing to strike next week.

Scottish lorry drivers have been offered just over 9 per cent. on basic rates but with the promise of five hours guaranteed overtime above 40 hours. For drivers working a full 60 hours, the deal would mean an increase of more than 16 per cent.

Talks covering the East Midlands are continuing. Road hauliers in the West Midlands who have settled at 15 per cent., remain concerned about the threat of Government sanctions.

The haulage association said yesterday that it had evidence that the Treasury wrote direct to the National Coal Board instructing it to have no dealings with road hauliers who had broken pay guidelines.

The Treasury maintains that it is solely the responsibility of sponsoring departments to haodle such matters with nationalised industries.

The Department of Energy, under whose umbrella the NCB falls, says it has told the NCB to ensure that the effects of private sector breaches of the guidelines are not passed on to consumers in the form of higher prices. How it achieves that is up to NCB's own management, it says.

End of IMF gold trading curbs soon

By Michael Blanden

INTERNATIONAL GOLD dealings will be freed completely from official control shortly, with the final adoption of the planned changes to the International Monetary Fund rules. Meanwhile, the restrictive agreements among central banks will end on January 31.

The changes stemming from the new IMF rules will eventually leave the central banks free to buy gold at the open market price, instead of the artificially low official and thus purely theoretical price of around $42 an ounce.

Yesterday the market price rose $2.5 to $175.625, its highest level since early April, 1975.

The increase again reflected the weakness of the dollar in the exchange markets, which has been the main factor boosting the price of gold in recent months. Dealers are unsure about the impact the changes will have on the gold market.

At the end of this month, the agreement on gold dealings among central banks of the Group of Ten leading industrial countries, together with Switzerland comes to an end.

This is a self-denying ordinance under which the banks agreed not to increase their holdings of gold above the level of August 1975, when the agreement was made. It meant in effect that they were prohibited from buying in the open market at prices which were much higher than the official price, although they could sell. They were also banned from managing the price.

Auctions

The transitional arrangement was made in the context of the agreement at the August 1975 meeting of the International Monetary Fund aimed to eliminate completely the role of gold as a reserve asset.

This meeting paved the way for the auctions of IMF gold, under which it is to sell off 25m. ounces of the metal, and for the return of a similar amount to members. It also provided for abolishing the official price.

Uncertainty in the market arises partly over the prospect of a hiatus between the ending of the Group of Ten agreement and final ratification of the new IMF rules, during which the position would revert to even more restrictive controls under which central banks could only sell or buy at the official price.

David Bell adds from Washington: Mr. Anthony Solomon, Deputy Treasury Secretary for monetary affairs, said yesterday that the U.S. had no objections to ending the Group of Ten agreement.

Northern Engineering to buy another company

BY CHRISTINE MOIR

THE power engineering group Northern Engineering Industries, created by last autumn's merger between Clarke Chapman and Reyrolle Parsons, has lost no time in following up its acrimonious £9.5m. purchase of International Combustion by another—but this time agreed—acquisition of a similar size.

Yesterday, the company announced that it had agreed to buy Baldwin and Francis, a private motor control and switchgear company which primarily services the mining industry.

The price has not yet been finally agreed, but Northern Engineering Industries said that it amounted to less than 10 per cent. of its net assets. Including the £10m. assets acquired with International Combustion, this puts the figure in the region of £9m. to £10m.

Baldwin's profits for the year to January 1977 were £1.77m. pre-tax and net assets at that date were £3.75m.

Steel producers face anti-dumping duties

BY DAVID BUCHAN IN BRUSSELS & ROY HODSON IN LONDON

THE EUROPEAN Commission yesterday announced its first anti-dumping duties on steel entering the Community below the minimum import prices in effect since January 1.

Steel traders have so far been slow to react to the new Community restrictions—known as the Davignon plan—but yesterday's strong action against specific imports is certain to bring controversey to a head between European steelmakers and importers.

The duties, which are provisional for three months pending the conclusion of dumping investigations, cover products from Japan, Spain, Poland, Bulgaria, Czechslovakia, South Korea and Canada. They will be imposed from the date the Commission's decision is formally made public in the official European Community Gazette—probably to-day.

Mr. Edmund Dell, the British Trade Secretary, arrives in Spain to-day for trade discussions. Spain has been enjoying a healthy and growing trade with Community countries in iron and steel which is now directly affected by the new restrictions.

The duties result from complaints by Britain and France on steel dumping following the introduction of minimum import prices. In each case, the Commission has proved that at least one steel shipment from the seven countries in question has been made into the Community below the Common Market's level of base prices.

Products covered by the duties include galvanised sheets from Spain and Poland, hot rolled sheets from Bulgaria, Japan and Czechoslovakia, pig iron from Canada, wire rod and cold rolled sheets from Czechoslovakia, coils from South Korea, and coils from Czechoslovakia.

Shipments of iron and steel from Austria, Finland, East Germany, Hungary, Romania and the Soviet Union are also subject to Brussels dumping inquiries, although no duties will be imposed immediately.

In Britain, the Department of Trade last night imposed duties against hot rolled coil from Czechoslovakia and South Korea. It is expected to act against other alleged cheap imports to-day.

Richard Evans, Lobby Editor, writes: The Commons Select Committee on Nationalised Industries is expected to question Sir Charles Villiers, chairman of hte British Steel Corporation, next Monday on the confidential financial forecasts extracted from BSC last week. The MPs want to know to what extent the Corporation realised last year it was heading for a £520m. loss. They hope to have a further meeting with Mr. Eric Varley, Industry Secretary, on Monday week to discuss the figures.

Continued from Page 1

Carter Budget

underlying the Budget have for the most part been announced previously.

They are that real growth in calendar 1978 and 1979 will average about 4½ per cent., that unemployment will fall to about 6¼ per cent. by the fourth quarter this year and 5.8 per cent by the end of next, and that inflation will remain at about 6 per cent. over the next two years.

Of the $38bn. nominal increase in next year's Budget over this, only $7.8bn. constitutes new programmes.

Of this, about one-third is to go for research on energy development and conservation, with other modest increases principally going to aid the large cities and to alleviate unemployment.

Weather

U.K. TO-DAY

Showers with some snow in north Some sunny intervals. Cold and very windy.

London, S.E., Cent. S. and E. England, E. Anglia, Midlands
Cloudy. Rain or sleet. Cold. Max. 5C (41F).

S. W. England, Channel Islands, S. Wales
Showers, some heavy. Bright intervals. Cold. Max. 7C (45F).

N. Wales, N.W. England, L. District, Isle of Man
Showers, some heavy and wintry. Cold. Max. 5C (41F).

N.E. and Cent. N. England, Borders
Cloudy. Showers with snow on hills. Cold. Max. 4C (39F).

Edinburgh, Dundee, Aberdeen, Highlands, Moray Firth, N.E. Scotland, Orkney, Shetland
Cloudy. Showers or sleet snow. Cold. Max. 4C (39F).

N.W. and S.W. Scotland, Glasgow, Argyll, N. Ireland
Showers, some heavy and wintry. Cold. Max. 5C (41F).

Outlook: Cold with showers. Snow in places and frost.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amsdm.	F	5	41	Manchstr.	R	6	43
Athens	F	13	55	Melbourne	C	26	79
Bahrain	S	19	66	Mexico C.	S	22	72
Barcelona	S	9	48	Milan	F	6	43
Belgrade	C	2	36	Montreal	C	−8	18
Berlin	C	1	34	Moscow	S	−11	12
Brmghm.	Sl	4	39	Munich	C	1	34
Bristol	R	7	45	Newcastle	F	2	36
Brussels	F	4	39	New York	S	−3	27
Budapest	C	0	32	Oslo	Sn	−4	25
B. Aires	C	24	75	Paris	C	5	41
Cairo	S	21	71	Perth	S	26	79
Cardiff	R	8	46	Prague	C	0	32
Chicago	C	−7	19	Reykjavik	C	−2	28
Cologne	F	5	41	Rio de J'o	S	30	86
Copnhagn.	C	0	32	Rome	F	11	52
Dublin	C	11	52	Singapore	S	28	82
Edinbrgh.	Sl	3	37	Stckhlm.	Sn	−5	23
Frankfurt	Sl	4	39	Strasbrg.	F	7	45
Geneva	F	4	39	Sydney	C	26	79
Helsinki	F	−10	14	Tehran	S	13	55
H. Kong	S	20	68	Tokyo	S	9	48
Jo'burg	C	19	66	Toronto	C	−7	19
Lisbon	F	13	55	Vienna	Sn	0	32
London	R	6	43	Warsaw	S	0	32
Luxmb'g	Fg	0	32	Zurich	F	4	39
Madrid	C	8	46				

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	S	12	54	Las Plms.	F	19	66
Algiers	S	14	57	Locarno	F	3	37
Biarritz	R	8	46	Majorca	F	12	54
Blackpool	R	6	43	Malaga	S	13	55
Bordeaux	R	7	45	Malta	F	13	55
Boulogne	C	4	39	Nairobi	S	23	74
Casablnca	S	15	59	Naples	C	10	50
Cape Town	S	32	90	Nassau	C	22	72
Corfu	R	11	52	Nice	S	11	52
Dubrovnik	F	12	54	Nicosia	S	16	61
Faro	C	12	54	Oporto	C	12	54
Funchal	C	15	59	Rhodes	F	15	59
Gibraltar	S	15	59	Salzburg	F	2	36
Guernsey	R	8	46	Tangier	F	14	57
Inverness	C	1	34	Tenerife	C	17	63
I. of Man	C	7	45	Tunis	C	13	55
Istanbul	C	6	43	Valencia	F	11	52
Jersey	R	7	45	Venice	C	6	43

F—Fair. Sl—Sleet. Sn—Snow. S—Sunny. R—Rain. C—Cloudy. Fg—Fog.

Continued from Page 1

Government loses by 11 votes

For the Tories Mr. Peyton saved they had tabled their motion because the Government had treated the livestock industry so badly.

He was against laying down a detailed programme for bringing the "green pound" into line with sterling but the Tories would aim to achieve this over the next two or three years.

Peter Riddell, Economics Correspondent, writes: The main economic impact of a devaluation of the "green pound" is on retail prices.

A 5 per cent. change, as proposed by the Government, adds 1 per cent. to food prices and nearly ½ per cent. to the retail price index, while a 7½ per cent. devaluation, favoured by the Conservatives, would add proportionately more to shop prices.

For comparison, a 5 per cent. devaluation adds only slightly more to prices than a 1p on a pint of milk, and is just sufficient to offset the effect of a one point cut in the mortgage rate, both of which are now occurring.

The impact on the cost of living from a "green pound" devaluation is relatively rapid depending on whether implementation is phased.

Even after the rise in the value of sterling against the main Continental currencies in the past few months, a large gap still exists between the "green pound" parity and the pound's value as measured by the European unit of account.

Before the latest proposals a devaluation of about 30 per cent. would have been required to bring the two into line, which would increase food prices by nearly one-tenth.

A devaluation of the "green pound" has relatively minor implications for the balance of payments, probably only amounting to a few tens of millions of pounds. The impact on U.K. public-sector payments and receipts should be largely self-cancelling.

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